
LETTER FROM CLSA LIMITED



CLSA LIMITED
18/F One Pacific Place
88 Queensway
Hong Kong

29 November 2024

To the Shareholders:

Dear Sir or Madam,

**(1) CONDITIONAL VOLUNTARY CASH OFFER
BY CLSA LIMITED ON BEHALF OF
THE COMPANY TO BUY-BACK UP TO 150,858,120 SHARES
AT A PRICE OF HK\$1.20 PER SHARE
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) NOTICE OF EGM**

INTRODUCTION

On 23 October 2024, the Board announced that a conditional voluntary cash offer would be made by CLSA Limited on behalf of the Company to buy-back, subject to fulfilment of the Conditions, up to the Maximum Number, being 150,858,120 Shares, representing approximately 15.00% of the issued share capital of the Company as at the Latest Practicable Date at a cash consideration of HK\$1.20 per Share.

The Shares to be bought-back by the Company will not exceed the Maximum Number and subject to the Minimum Number, being 100,572,079 Shares. If the Offer is fully accepted, it will result in the Company paying HK\$181,029,744 in aggregate to the Accepting Shareholders, which will be paid in cash.

This letter sets out details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

Your attention is drawn to the “Letter from the Board” as set out on pages 8 to 22 of this Offer Document. You are also strongly advised to read the “Letter from the Independent Board Committee” as set out on pages 36 to 37 of this Offer Document which contains its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waiver, and the “Letter from Gram Capital” as set out on pages 38 to 58 of this Offer Document containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver.

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TERMS OF THE OFFER

The Offer is being made by CLSA Limited on behalf of the Company subject to fulfilment of the Conditions to buy-back the Shares on the following basis up to the Maximum Number, being 150,858,120 Shares.

For every Share HK\$1.20 in cash

All Shareholders are entitled to accept the Offer by submitting the Forms of Acceptance for the sale of any number of their Shares to the Company.

The principal terms of the Offer are as follows:

- (a) CLSA Limited will make the Offer to the Shareholders on behalf of the Company to buy-back up to the Maximum Number of Shares at the Offer Price;
- (b) the Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire shareholding (subject to the procedures for scaling down as described under the section headed “Other Terms of the Offer” below);
- (c) the Offer is conditional upon valid acceptances being received (and not, where permitted, withdrawn) in respect of the Minimum Number (i.e. 100,572,079 Shares) at or before 4:00 p.m. (Hong Kong time) on the First Closing Date, provided that the Company shall buy-back Shares tendered by the Shareholders up to the Maximum Number (i.e. 150,858,120 Shares) subject to the fulfillment of the other Conditions;
- (d) all Shares validly tendered will be bought-back to the extent that the aggregate number of Shares repurchased pursuant to the Offer will not thereby exceed the Maximum Number. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each Accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details of the procedures for scaling down are described under the section headed “Other Terms of the Offer” below;
- (e) Form of Acceptance duly received by or on behalf of the Company will become irrevocable and cannot be withdrawn unless in accordance with the Takeovers Code;
- (f) Shares will be bought-back for cash, free of commission, levies and dealings charges, save that the amount of stamp duty due on the Shares bought-back attributable to the seller will be deducted from the amount payable to the Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders;

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- (g) Shares bought-back will be cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. Accordingly, the issued share capital of the Company will be diminished by the nominal value of the Shares being bought-back in the event of cancellation of Shares bought-back; and
- (h) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Form of Acceptance by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to CLSA Limited, CITICS HK and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

In accordance with the Share Buy-backs Code, the Offer will be subject to the approval by the Independent Shareholders in a general meeting by a majority of votes by way of poll and will also be subject to the satisfaction of the other Conditions. If the Offer is declared unconditional, the Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

THE OFFER PRICE

The Offer Price of HK\$1.20 values the entire issued share capital of the Company as at the Latest Practicable Date (being 1,005,720,799 Shares) at approximately HK\$1,206.86 million:

The Offer Price of HK\$1.20 in cash per Share represents:

- (a) a premium of approximately 16.50% over the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on 4 October 2024 (being the Last Trading Day);
- (b) a premium of approximately 37.30% over HK\$0.87 which is the average closing price per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 52.67% over HK\$0.79 which is the average closing price per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 66.82% over HK\$0.72 which is the average closing price per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

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- (e) a premium of approximately 69.97% over HK\$0.71 which is the average closing price per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day;
- (f) a premium of approximately 71.28% over HK\$0.70 which is the average closing price per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (g) a premium of approximately 36.36% over the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on 26 November 2024 (being the Latest Practicable Date);
- (h) a premium of approximately 36.67% over HK\$0.88 which is the average closing price per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Latest Practicable Date;
- (i) a premium of approximately 37.30% over HK\$0.87 which is the average closing price per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Latest Practicable Date;
- (j) a premium of approximately 34.03% over HK\$0.90 which is the average closing price per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Latest Practicable Date;
- (k) a premium of approximately 51.20% over HK\$0.79 which is the average closing price per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Latest Practicable Date;
- (l) a premium of approximately 59.08% over HK\$0.75 which is the average closing price per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Latest Practicable Date;
- (m) a discount of approximately 65.01% to the consolidated and unaudited net asset value attributable to the owners of the parent of the Company as at 30 June 2024 of approximately RMB3.14 per Share (equivalent to approximately HK\$3.43 per Share based on the exchange rate of HK\$1:RMB0.9166) pursuant to the latest consolidated and unaudited financial statements of the Company.

The Offer Price was determined after taking into account, among other things, the historical prices of the Shares traded on the Stock Exchange, historical financial information of the Group and the prevailing market conditions and sentiments, and with reference to the share buy-back transactions of companies listed on the Main Board of the Stock Exchange in recent years.

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HIGHEST AND LOWEST SHARE PRICES

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.03 on 3 October 2024 and 4 October 2024, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.61 on 2 July 2024 and 5 July 2024.

CONFIRMATION OF FINANCIAL RESOURCES

The consideration for the Offer, being (a) a minimum of HK\$120,686,494.8 assuming only the Minimum Number of Shares has been tendered for acceptance; or (b) a maximum of HK\$181,029,744 assuming the Maximum Number of Shares has been tendered for acceptance, will be paid in cash and will be funded by internal resources of the Group. CITICS HK, being the financial adviser to the Company, is satisfied that sufficient financial resources are available to the Company to satisfy the consideration for the full acceptance of the Offer as described above.

CONDITIONS OF THE OFFER

The Offer is conditional upon fulfilment of all of the following conditions on or before the Long Stop Date:

- (a) valid acceptances being received (and not, where permitted, withdrawn) in respect of the Minimum Number (i.e. 100,572,079 Shares) at or before 4:00 p.m. (Hong Kong time) on the First Closing Date, provided that the Company shall buy-back Shares as tendered by the Shareholders up to the Maximum Number (i.e. 150,858,120 Shares);
- (b) the approval by more than 50% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the EGM in respect of the Offer;
- (c) the approval by at least 75% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the EGM in respect of the Whitewash Waiver; and
- (d) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.

Save for the Condition (a) above, none of the Conditions can be waived. Accordingly, if any of the Conditions is not satisfied or waived on or before the Long Stop Date, the Offer will not proceed.

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The Offer is subject to all of the Conditions being satisfied in full or waived on or before the Long Stop Date. If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer or the Whitewash Waiver are not passed by the Independent Shareholders, the Offer will not proceed and will lapse immediately.

OTHER TERMS OF THE OFFER

Shareholders may accept the Offer in respect of some or all of their shareholding. Subject to the Offer becoming unconditional in all respects: (i) if valid acceptances are received for not less than the Minimum Number, but not more than the Maximum Number as at the Final Closing Date, all Shares validly accepted will be bought-back; and (ii) if valid acceptances received exceed the Maximum Number as at the Final Closing Date, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula, save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Accepting Shareholders in fractional entitlements:

$$\frac{A}{B} \times C$$

A = 150,858,120 Shares, being the Maximum Number;

B = Total number of Shares tendered by all Accepting Shareholders under the Offer;

C = Total number of Share tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company under the Offer will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Accepting Shareholders.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, (i) Mr. Zeng Concert Parties was beneficially interested in 278,636,331 Shares, representing approximately 27.71% of the total issued Shares as at the Latest Practicable Date; and (ii) Mr. Cheng, who held the entire issued share capital of World Hero, was beneficially interested in 168,534,580 Shares, representing approximately 16.76% of the total issued Shares as at the Latest Practicable Date.

Mr. Zeng has irrevocably undertaken to the Company that (i) he will not accept the Offer for all of the Shares in which he is the registered holder, beneficial owner or deemed to be interested in by virtue of the SFO (the “Zeng Concert Shares”) respectively as at the date of the Announcement; (ii) he will or procure the holder of the Zeng Concert Shares to execute all documents and take all necessary and appropriate actions not to accept the Offer; (iii) if any

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of the Zeng Concert Shares is held by a trustee or custodian, he will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; (iv) he will not, and will procure any party acting in concert with him not to, acquire any Share or other securities of the Company; and (v) without the prior consent of the Company, he shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Zeng Concert Shares held or controlled by him, or enter into any arrangement to do any of the actions above.

Mr. Cheng has irrevocably undertaken to the Company that (i) he will accept the Offer for not less than 84,267,290 Shares, representing approximately 8.38% of the issued share capital of the Company as at the date of the Announcement, in which he is the registered holder, beneficial owner or deemed to be interested in by virtue of the SFO (the "Relevant Shares") as at the date of the Announcement; (ii) he will or procure the holder of the Relevant Shares to execute all documents and take all necessary and appropriate actions to accept the Offer; (iii) he will exercise or procure the exercise of the voting rights attached to all of the Shares, i.e. 168,534,580 Shares, representing approximately 16.76% of the total issued Shares as at the date of the Announcement, in which he is the registered holder, beneficial owner or deemed to be interested in by virtue of the SFO (the "**Cheng Concert Shares**") to vote in person or by proxy in favour of any resolution (by way of poll) which is necessary to implement or otherwise relates to the Offer and the Whitewash Waiver (including any resolution that may impact on the fulfilment of any condition of the Offer and the Whitewash Waiver) at the EGM; (iv) if any of the Relevant Shares or the Cheng Concert Shares (as the case may be) is held by a trustee or custodian, he will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; (v) he will not, and will procure any party acting in concert with him not to, acquire any Share or other securities of the Company; and (vi) without the prior consent of the Company, he shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Cheng Concert Shares held or controlled by him, or enter into any arrangement to do any of the actions above.

The Irrevocable Undertakings shall terminate immediately if the Offer close, lapse or are withdrawn.

WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Zeng Concert Parties are interested in 278,636,331 Shares, representing approximately 27.71% of the issued share capital of the Company.

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Pursuant to Rule 32.1 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Subject to the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Options will be exercised by their holders prior to completion of the Offer, the aggregate interests of Mr. Zeng Concert Parties may increase from 27.71% to a maximum level of approximately 32.59% upon completion of the Offer. Accordingly, Mr. Zeng would be required to make a mandatory offer under Rule 26.1 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by Mr. Zeng Concert Parties unless the Whitewash Waiver is granted.

An application has been made by Mr. Zeng, the Shareholder having control over approximately 27.71% of the total issued share capital of the Company, to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that, subject to, among others, the approval of the Independent Shareholders for the Offer and the Whitewash Waiver at the EGM by way of poll, the Executive will grant the Whitewash Waiver to waive any obligation of Mr. Zeng, Best Dawn and Asia Environment to make a general offer which might result from completion of the Offer.

The Offer is conditional upon approval of the Offer by more than 50% of the Independent Shareholders voting in person or by proxy by way of poll at the EGM and the Whitewash Waiver being granted by the Executive, which would also be subject to the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders voting in person or by proxy by way of poll at the EGM. Under Note 15 to Rule 26.1 of the Takeovers Code, the Shareholder shall be deemed to have a lowest percentage holding equal to its percentage holding immediately after completion of the Offer and is free to acquire and dispose of further voting rights in the Company within a band of 2% above such lowest percentage holding of voting rights in the Company in the 12-month period ending on the date of completion of the relevant acquisition without incurring an obligation to make a general offer. Within this band, dispositions of voting rights may be netted off against acquisitions thereof.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will not proceed and will lapse immediately.

As at the Latest Practicable Date, the Company does not believe that the transactions under the Offer and the Whitewash Waiver would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Offer and the Whitewash Waiver do not comply with other applicable rules and regulations.

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PROCEDURES FOR ACCEPTANCE

The Offer is open for acceptance from the date of this Offer Document. If the Conditions are satisfied, the Offer will be open for acceptance for a period of 14 days after the Offer has become unconditional. However, payment of the Offer will only be made after the Final Closing Date. The cheques for the payment of consideration under the Offer will not be despatched until after the Form of Acceptance is completed in all respects and the Title Documents have been received by the Registrar. Assuming the Offer has become unconditional, Shares tendered under the Offer shall be paid for by the Company as soon as possible but in any event no later than 7 Business Days after the Final Closing Date.

In order to accept the Offer, Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer).

In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in an envelope marked “China Boqi Environmental (Holding) Co., Ltd. – 2024 Buy-back Offer” as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. on the First Closing Date or the Latest Acceptance Time (as the case may be), or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after 4:00 p.m. on the First Closing Date or the Latest Acceptance Time (as the case may be) will be accepted.

If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

Only one Form of Acceptance may be accepted from each Shareholder by the Registrar.

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Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code.

OVERSEAS SHAREHOLDERS

The making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. The laws of the relevant jurisdictions may prohibit the making of the Offer to Overseas Shareholders or require compliance with certain filing, registration or other requirements in respect of the Offer.

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws, regulations and rules of their relevant jurisdictions of residence. The Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers in the relevant jurisdictions.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy itself or himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance of the Offer by any Shareholder shall be deemed to constitute a representation and warranty from such Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. Shareholders should consult their professional advisers if in doubt.

As at the Latest Practicable Date, save for Best Dawn, the addresses of all Shareholders shown in the register of members of the Company were inside Hong Kong.

ODD LOTS

The Shares are currently traded in board lot of 1,000 Shares each. There is no intention to change the board lot size as a result of the Offer. Accepting Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares.

For this purpose, Prudential Brokerage Limited, whose address is at Room 901-904, World-wide House, 19 Des Voeux Road C, Central, Hong Kong (telephone number: (852)21433808 during office hours (i.e. 9:30 a.m. to 4:00 p.m.)) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a reasonable period after the completion of the Offer in order to enable such Accepting Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Shareholders are recommended to make an appointment in advance by dialing the telephone number of (852)21433808 as indicated above to purchase/sell the odd lot Shares. Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional, as and if appropriate.

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NOMINEE REGISTRATION OF SHARES

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register of Members. To ensure equality of treatment of all Qualifying Shareholders, those registered holders of the Shares who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names (including those whose interests in the Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer on or before the deadline set by their nominee agents. Shareholders with their Shares held by a nominee company may consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s).

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Acceptance Forms, Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, CITICS HK, CLSA Limited, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

SETTLEMENT

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than 4:00 p.m. on the First Closing Date or the Latest Acceptance Time (as the case may be) and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by ordinary post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction of seller's ad valorem stamp duty pursuant to paragraph 5(e) in the section headed "Terms and Conditions of the Offer" below, as soon as possible, but in any event within 7 Business Days after the close of the Offer.

If the Shares of an Accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 7 Business Days after the close of the Offer.

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If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) after 7 Business Days of the lapse of the Offer. Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAX IMPLICATIONS

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, CLSA Limited, CITICS HK, Gram Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptances of the Offer.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Company intends to remain listed on the Stock Exchange. The Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

EGM

The notice of EGM is set out on pages EGM-1 to EGM-3 of this Offer Document. At the EGM, resolutions will be proposed for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver respectively.

Further details on the terms and conditions of the Offer including, among other things, procedures for acceptance and settlement, acceptance period and taxation matters, are set out in Appendix I to this Offer Document and in the Form of Acceptance.

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You are strongly advised to consider carefully the information as contained in the “Letter from the Board”, the recommendation as contained in the “Letter from the Independent Board Committee” and the advice of Gram Capital as contained in the “Letter from Gram Capital” in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information as set out in the appendices to this Offer Document which form part of this Offer Document.

It should be noted that dealings in the Shares will continue notwithstanding that any of the Conditions may remain unfulfilled, and that persons dealing in the Shares will bear the risk that the Offer may lapse.

Yours faithfully,
For and on behalf of
CLSA Limited
Edmund Chan

Yours faithfully,
For and on behalf of
CLSA Limited



Edmund Chan
Managing Director