



26 October 2023

*To the Independent Board Committee and
the Shareholders*

Henan Jinma Energy Company Limited
West First Ring Road South
Jiyuan City
Henan Province
The PRC

Dear Sirs,

**POSSIBLE MAJOR TRANSACTION IN RELATION TO
THE PROPOSED SPIN-OFF AND LISTING OF JINYUAN HYDROGEN
ON THE MAIN BOARD OF THE STOCK EXCHANGE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and Listing, details of which are contained in the circular to the Shareholders dated 26 October 2023 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, (i) capitalised terms used in this letter shall have the same meanings as those defined in the Circular; and (ii) the exchange rate of HK\$1.0 to RMB0.9 has been adopted in this letter for illustrative purpose.

As at the Latest Practicable Date, Jinyuan Hydrogen is a wholly-owned subsidiary of the Group. The Proposed Spin-off and Listing is expected to involve the issue of new Jinyuan H Shares by way of Global Offering. Based on the current proposed structure of the Global Offering which is subject to finalisation, it is expected that 25% of the enlarged issued share

capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is not exercised, and approximately 27.71% of the enlarged issued share capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is exercised in full. The actual number of new Jinyuan H Shares to be issued will be determined at a later stage subject to regulatory approval and/or consent by the Stock Exchange and the CSRC, discussions among the management of Jinyuan Hydrogen, the Sole Sponsor and other advisers for the Proposed Spin-off and Listing, and in particular, market conditions. Based on the above tentative structure, following the completion of the Proposed Spin-off and Listing, the Group is expected to hold not less than approximately 72.29% of the enlarged issued share capital of Jinyuan Hydrogen, and Jinyuan Hydrogen will continue to be accounted for as a subsidiary of the Company. For the purpose of the Proposed Spin-off and Listing, the Company submitted a proposal on the Proposed Spin-off and Listing to the Stock Exchange pursuant to PN15, and the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and Listing under PN15. On 28 August 2023, Jinyuan Hydrogen also submitted, through the Sole Sponsor, a listing application to the Stock Exchange to apply for the spin-off and listing of, and permission to deal in, the shares of Jinyuan Hydrogen on the Main Board of the Stock Exchange.

The Proposed Spin-off and Listing, if materialised, will constitute a deemed disposal of the Group's interest in Jinyuan Hydrogen under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules in respect of the Proposed Spin-off and Listing is expected to exceed 25% but less than 75%, the Proposed Spin-off and Listing, if proceeded with, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules, as well as the Shareholders' approval requirement under paragraph 3(e)(1) of PN15.

In accordance with the requirements of paragraph 3(e)(4) of PN15, the Independent Board Committee comprising Mr. WU Tak Lung, Mr. MENG Zhihe and Mr. CAO Hongbin, being all the three independent non-executive Directors, has been formed to advise the Shareholders in relation to the Proposed Spin-off and Listing. We, First Shanghai Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

As set out in the "Letter from the Board" contained in the Circular (the "**Board Letter**"), pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written Shareholders' approval from a closely allied group of Shareholders, representing approximately 75.55% of the total issued Shares of the Company, to approve the Proposed Spin-off and Listing in lieu of holding a general meeting, provided that the Proposed Spin-off and Listing will not be classified as a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Accordingly, in the event that the Proposed Spin-off and Listing constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Proposed Spin-off and Listing.

OUR INDEPENDENCE

The Shareholders should note that we were previously engaged as the independent financial adviser by the Company regarding (i) the revision of certain annual caps as detailed in the circular of the Company dated 8 December 2021; and (ii) the renewal of certain continuing connected transactions as detailed in the circular of the Company dated 24 November 2022 (collectively, the “**Previous Engagements**”). Apart from normal professional fees paid or payable to us in connection with the Previous Engagements and this current engagement, we did not have any other relationships or interests with the Group within the past two years prior to the Latest Practicable Date. Given (i) our independent roles in the Previous Engagements; (ii) none of the members of our parent group is a direct party to the Proposed Spin-off and Listing; and (iii) our fee for this current engagement with the Company, in addition to those for the Previous Engagements, represented an insignificant percentage of revenue of our parent group, we consider the Previous Engagements would not affect our independence, and we consider ourselves independent pursuant to rule 13.84 of the Listing Rules, to provide our advice and form our opinion in respect of the Proposed Spin-off and Listing.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Group (collectively, the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent investigation into the business and affairs of the Group and the Jinyuan Hydrogen Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Proposed Spin-off and Listing, we have taken into consideration the following principal factors:

1. Background information on the Group

The Group is a coke producer and processor of coking by-products in the coking chemical industry in Henan province, the PRC. The Group operates a vertically integrated business model along the coking chemical value chain from coke production to the processing of coking by-products into refined chemicals and energy products. For each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the revenue of the Group was mainly derived from the sale of coke, where (i) sale of coke accounted for approximately 56%, 52%, 69% and 72% of the total revenue of the Group; (ii) sale of refined chemicals (mainly benzene based and coal tar based chemicals) accounted for approximately 15%, 23%, 17% and 17% of the total revenue of the Group; and (iii) sale of energy products (mainly coal gas and LNG) accounted for approximately 7%, 4%, 6% and 7% of the total revenue of the Group, respectively. For further details of the financial information on the Group, please refer to the financial reports published by the Company.

2. Background information on the Jinyuan Hydrogen Group

As at the Latest Practicable Date, Jinyuan Hydrogen is a wholly-owned subsidiary of the Company. The Jinyuan Hydrogen Group is a leading supplier of LNG, pure benzene and hydrogenated pure benzene in Henan Province, primarily focusing on the production and processing of (i) clean energy products comprising LNG and coal gas; and (ii) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene.

The table below is an overview of the historical financial performance of the Jinyuan Hydrogen Group based on information disclosed in the Application Proof.

	For the year ended 31 December			For the six months	
	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Revenue	1,079	1,480	2,255	1,079	1,076
Gross profit	102	153	288	165	106
Profit before taxation	61	111	234	138	83
Profit attributable to owners of the company	29	72	138	87	51

Revenue of the Jinyuan Hydrogen Group increased from approximately RMB1,079 million for the year ended 31 December 2020 to approximately RMB1,480 million for the year ended 31 December 2021 mainly due to the increase in revenue from the hydrogenated benzene-based chemicals segment. Gross profit margin slightly improved from approximately 9% for year 2020 to approximately 10% for year 2021. Net profit margin also slightly increased from approximately 3% for year 2020 to approximately 5% for year 2021.

Revenue of the Jinyuan Hydrogen Group further increased from approximately RMB1,480 million for the year ended 31 December 2021 to approximately RMB2,255 million for the year ended 31 December 2022 mainly due to the increase in revenue from both the clean energy products segment and the hydrogenated benzene-based chemicals segment. Gross profit margin improved from approximately 10% for year 2021 to approximately 13% for year 2022 mainly due to (i) the increase in segment profit margin of the clean energy products segment; and (ii) the increase in revenue contribution from the sale of LNG which attained a higher gross profit than other products. Net profit margin also slightly increased from approximately 5% for year 2021 to approximately 6% for year 2022.

For the six months ended 30 June 2023, revenue of the Jinyuan Hydrogen Group was approximately RMB1,076 million, which was comparable with that for the six months ended 30 June 2022 of approximately RMB1,079 million. Gross profit margin lowered from approximately 15% for the first half of 2022 to approximately 10% for the first half of 2023, mainly due to (i) the decrease in segment profit margin of the clean energy products segment; and (ii) the decrease in contribution from clean energy products segment which attained a relatively higher gross profit margin compared to other segments. Accordingly, net profit margin lowered from approximately 8% for the first half of 2022 to approximately 5% for the first half of 2023.

With reference to the Application Proof, the Jinyuan Hydrogen Group had net assets attributable to owners of the company of approximately RMB555 million as at 30 June 2023.

3. Background of and reasons for the Proposed Spin-off and Listing

As at the Latest Practicable Date, Jinyuan Hydrogen is a wholly-owned subsidiary of the Group. The Proposed Spin-off and Listing is expected to involve the issue of new Jinyuan H Shares by way of Global Offering. Based on the current proposed structure of the Global Offering which is subject to finalisation, it is expected that 25% of the enlarged issued share capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is not exercised, and approximately 27.71% of the enlarged issued share capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is exercised in full. The actual number of new Jinyuan H Shares to be issued will be determined at a later stage subject to regulatory approval and/or consent by the Stock Exchange and the CSRC, discussions among the management of Jinyuan Hydrogen, the Sole Sponsor and other advisers for the Proposed Spin-off and Listing, and in particular, market conditions. Based on the above tentative structure, following the completion of the Proposed Spin-off and Listing, the Group is expected to hold not less than approximately 72.29% of the enlarged issued share capital of Jinyuan Hydrogen, and Jinyuan Hydrogen will

continue to be accounted for as a subsidiary of the Company. Further details on the businesses of the Jinyuan Hydrogen Group and the Remaining Group (including the delineation of products and the independence of Jinyuan Hydrogen from the Company) are set out in the Board Letter.

For the purpose of the Proposed Spin-off and Listing, the Company submitted a proposal on the Proposed Spin-off and Listing to the Stock Exchange pursuant to PN15, and the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and Listing under PN15. On 28 August 2023, Jinyuan Hydrogen also submitted, through the Sole Sponsor, a listing application to the Stock Exchange to apply for the spin-off and listing of, and permission to deal in, the shares of Jinyuan Hydrogen on the Main Board of the Stock Exchange.

With reference to the Board Letter, the Proposed Spin-off and Listing will be beneficial to both the Group and the Jinyuan Hydrogen Group for the following reasons:

- the Proposed Spin-off and Listing will result in a clear segregation from the Remaining Group's business of the Jinyuan Hydrogen Group's business which has an emphasis on the production and utilisation of clean energy products and is intended to expand further down the new energy value chain. Such segregation is expected to improve the operational and financial efficiency of the Group as a whole, and will additionally improve corporate governance in each of its business lines;
- in particular, the Jinyuan Hydrogen Group will be able to rely on a more focused source of capital for operation of its clean energy business and for its further drive down the new energy value chain, which is expected to be one with great potential and prospects in light of the PRC Government's strong commitment to its "dual carbon goals";
- the Jinyuan Hydrogen Group will be able to attract new investors seeking investment opportunities specifically in the clean energy products and hydrogenated benzene-based chemicals businesses;
- investors will be able to appraise the Jinyuan Hydrogen Group and the Remaining Group separately, in terms of their respective business strategies, functional exposure, risks and returns in making investment decisions. Each of the Jinyuan Hydrogen Group and the Remaining Group will be able to more specifically target their respective investor bases;
- after the Proposed Spin-off and Listing, the Jinyuan Hydrogen Group will be provided with a direct equity financing platform which is expected to benefit the long-term expansion and growth of the Jinyuan Hydrogen Group. The Group's sources of funding will at the same time be diversified;

- the Shareholders will be given the opportunity to realise the value of their investment in the Jinyuan Hydrogen Group under a separate standalone platform; and
- the brand value and market influence of both the Jinyuan Hydrogen Group and the Remaining Group will be enhanced.

According to the Board Letter, the proceeds from the Proposed Spin-off and Listing will be applied for the business development of the Jinyuan Hydrogen Group in the following manner:

- approximately 85% will be used to fund the construction of six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou in the PRC by the end of 2025;
- approximately 5% will be used for strategic investment and/or acquisition of selected upstream and downstream market players by the end of 2025. As at the Latest Practicable Date, the Jinyuan Hydrogen Group did not have any specific investment or acquisition target, plan or a definite timeline and had not entered into any definitive agreement or engaged in any active discussion with any potential target; and
- approximately 10% will be used for working capital and general corporate purposes by the end of 2025.

We have reviewed the Application Proof and understood that, in order to grasp the opportunities arising from hydrogen business as advocated by the PRC Government (such as the PRC Government's strong commitments to its "dual carbon goals (雙碳目標)" and the Implementation Plan for Fuel Cell Demonstration Application in Zhengzhou City Cluster* (《鄭州城市群燃料電池示範應用實施方案》), in June 2023, the Company entered into a cooperation agreement with the committee designated by the government to coordinate relevant affairs of Zhengzhou High-Tech Industrial Development Zone (the "Zone"), pursuant to which, among others, the Company shall establish a project company in the Zone and the project company targets to construct 15 gas stations with hydrogen refuelling facilities in the Zone in the coming three to five years. We are advised by the Management that the majority of the proceeds from the Proposed Spin-off will be related to the construction of gas stations by the Jinyuan Hydrogen Group in the Zone in response to the aforementioned cooperation agreement.

Having considered, in particular, (i) the Proposed Spin-off and Listing allows the Group to raise fund and apply the proceeds to develop the businesses of the Jinyuan Hydrogen Group, where Jinyuan Hydrogen will continue to be a subsidiary of the Company; (ii) the use of proceeds is in line with the policies advocated by the PRC Government; (iii) the Jinyuan Hydrogen Group will be provided with a direct equity financing platform which is expected to benefit the long-term expansion and growth of the Jinyuan Hydrogen Group after the Proposed Spin-off and Listing; and (iv) the terms of the Proposed Spin-off and Listing are fair and reasonable as discussed below, we are of the view that the Proposed Spin-off and Listing is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Proposed Spin-off and Listing

(i) Proceeds to be raised

With reference to the Board Letter, based on the discussions between the management of Jinyuan Hydrogen and the Sole Sponsor, the number and final offer price of new Jinyuan H Shares to be issued under the Proposed Spin-off and Listing is expected to be determined taking into account, among other things, (i) the then responses to price consultation with potential subscribers in the book-building process for the Proposed Spin-off and Listing; and (ii) the prevailing market sentiment at the time of the Proposed Spin-off and Listing. It is currently expected that the net proceeds to be raised under the Proposed Spin-off and Listing will be no more than HK\$530 million if the Over-allotment Option is exercised in full, after deduction of underwriting fees and other estimated expenses in connection with the Global Offering. The actual amount of proceeds to be raised cannot be determined at this stage as the actual number and final offer price of new Jinyuan H Shares to be issued will be determined at a later stage.

For illustration purpose, an assumed total gross proceeds of around HK\$530 million for the offering of approximately 27.71% equity interest in Jinyuan Hydrogen would imply a market capitalisation of around HK\$1,913 million for Jinyuan Hydrogen. Based on the net profit attributable to shareholders of Jinyuan Hydrogen for the year ended 31 December 2022 and the net assets attributable to shareholders of Jinyuan Hydrogen as at 30 June 2023, such market capitalisation represents (i) a price to earnings ratio of around 12.5 times; and (ii) a price to book ratio of around 3.1 times. We have reviewed these price ratios for illustration purpose because they are very commonly used metrics in the market for assessing the pricing of a company. We have attempted to identify companies listed on the Stock Exchange with product mix and revenue composition similar to Jinyuan Hydrogen, but we were not able to identify such list of companies for a meaningful price ratio comparison analysis. As an alternative approach, we have reviewed the price ratio of the Company in view of the fact that Jinyuan Hydrogen accounts for a substantial portion of the businesses of the Group and, based on the market capitalisation of the Company as at the Latest Practicable Date, the net profit attributable to shareholders of the Company for the year ended 31 December 2022 and the net assets attributable to shareholders of the Company as at 30 June 2023, we understand the Company had a price to earnings ratio of approximately 2.0 times and a price to book ratio of approximately 0.2 times as at the Latest Practicable Date, where the aforementioned ratios of Jinyuan Hydrogen implied under the Proposed Spin-off and Listing are higher, even in the scenario where the total gross proceeds (hence the market capitalisation and relevant price ratios) of Jinyuan Hydrogen would only be half of the aforementioned assumed amount. We also note that the implied market capitalisation of Jinyuan Hydrogen for illustration purpose was higher than the market capitalisation of the Company as at the Latest Practicable Date of approximately HK\$921 million, which we understand can be attributable to factors including (i) the funds raised from the Proposed Spin-off and Listing would increase the market capitalisation of Jinyuan Hydrogen; (ii) Jinyuan Hydrogen accounts for a substantial portion of the businesses of the Group and will continue to be a subsidiary of the Company following the Proposed Spin-off and Listing, where the Jinyuan Hydrogen Group and the Remaining Group

would be principally engaged in different businesses with different prospects and valuations; and (iii) the aforementioned benefits of the Proposed Spin-off and Listing, including the fact that investors will be able to appraise the Jinyuan Hydrogen Group and the Remaining Group separately, where the Jinyuan Hydrogen Group will be provided with a direct equity financing platform that is expected to benefit the long-term expansion and growth of the Jinyuan Hydrogen Group after the Proposed Spin-off and Listing. We understand a higher offer price will be more favourable to the Company and its shareholders as a whole as Jinyuan Hydrogen would be able to raise more funds through the Proposed Spin-off and Listing for its business development.

(ii) Assured entitlement

According to the Board Letter, in order to enable the Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Jinyuan H Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying Shareholders will be invited to apply for certain Jinyuan H Shares in the Global Offering as Assured Entitlement. We are advised by the Management that the Assured Entitlement as a percentage of the global/public offering and the placing (excluding the exercise of any over-allotment option) under the Proposed Spin-off and Listing is expected to be no less than 5%. Shareholders should note that details of such assured entitlement have not yet been finalised.

We have searched the website of the Stock Exchange on a best effort basis to identify an exhaustive list of spin-off exercises (the “**Precedent Spin-offs**”) (excluding companies that were spun-off and listed by way of introduction) on the Main Board of the Stock Exchange (i) with assured entitlement by way of preferential offering of shares of the spun-off companies; (ii) completed by companies listed on the Main Board of the Stock Exchange; (iii) with the prospectus of the spun-off companies published within 12 months before the date of the first announcement in relation to the Proposed Spin-off and Listing; and (iv) with the spun-off companies eventually successfully listed. The table below sets out the details of the Precedent Spin-offs.

Prospectus date	Company name (Stock code)	Size of the global/public offering and the placing (excluding the exercise of any over-allotment option)	Size of preferential offering as assured entitlement	Assured entitlement as % of the global/public offering and the placing (excluding the exercise of any over-allotment option)
12 May 2023	Horizon Construction Development Limited (9930 HK)	364,694,000	36,470,000	10.0%
30 December 2022	Zhong An Intelligent Living Service Limited (2271 HK)	126,668,000	12,668,000	10.0%
19 December 2022	Shandong Boan Biotechnology Co., Ltd. (6955 HK)	10,694,800	534,800	5.0%
19 September 2022	Onewo Inc. (2602 HK)	116,714,000	11,671,400	10.0%
29 June 2022	MicroPort NeuroTech Limited (2172 HK)	13,700,000	685,000	5.0%
	Maximum:			10.0%
	Average:			8.0%
	Minimum:			5.0%

With reference to the above table, we note that the Assured Entitlement as a percentage of the global/public offering and the placing (excluding the exercise of any over-allotment option) under the Proposed Spin-off and Listing is expected to be (i) within the range of those of the Precedent Spin-offs; and (ii) higher than two out of the five Precedent Spin-offs.

(iii) Overall

Having primarily considered (i) the Global Offering will be offered to the public, rather than to connected parties, and the final number and offer price of new Jinyuan H Shares to be issued will make reference to a book-building process for the determination of the then market pricing of the Jinyuan H Shares; (ii) the price ratios of Jinyuan Hydrogen implied under the Proposed Spin-off and Listing are higher than those of the Company; (iii) the Assured Entitlement as a percentage of the global/public offering and the placing (excluding the exercise of any over-allotment option) under the Proposed Spin-off and Listing is expected to be higher than two out of the five Precedent Spin-offs; and (iv) the background of and reasons for the Proposed Spin-off and Listing as aforementioned, we are of the view that the terms (including the pricing) of the Proposed Spin-off and Listing are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

5. Possible financial effects of the Proposed Spin-off and Listing

Upon completion of the Proposed Spin-off and Listing, Jinyuan Hydrogen will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Company. The following is the expected financial impact of the Proposed Spin-off and Listing on the Group:

Earnings

As the Proposed Spin-off and Listing will not result in the Company's loss of control over Jinyuan Hydrogen, the Proposed Spin-off and Listing will be accounted for as an equity transaction and will not result in the recognition of gain or loss on the deemed disposal credited to the Company's consolidated statement of profit or loss and other comprehensive income. The difference between the amount of non-controlling interest as introduced by the Proposed Spin-off and Listing and the net proceeds raised from the Proposed Spin-off and Listing will be recorded in equity attributed to the Shareholders. In addition, as the proportion of the Company's shareholding in Jinyuan Hydrogen will be diluted immediately after the completion of the Proposed Spin-off and Listing, it is expected that the earnings attributable to owners of the Company contributed by Jinyuan Hydrogen may decrease while the earnings attributable to non-controlling interests may increase. The effect of the Proposed Spin-off and Listing on the future earnings of the Group will depend on, among other things, the return generated from the proceeds raised from the Proposed Spin-off and Listing as well as the future business operations of the Jinyuan Hydrogen Group.

Assets and liabilities

The Proposed Spin-off and Listing will increase the number of shares of Jinyuan Hydrogen and raise corresponding funds. The proceeds of the Proposed Spin-off and Listing will increase the cash recorded in the consolidated balance sheet of the Company and increase the total assets of the Group correspondingly, thereby improving the structure of the Group's assets and liabilities.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Proposed Spin-off and Listing is in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the terms of the Proposed Spin-off and Listing are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Shareholders to vote in favour of the resolution proposed in relation to the Proposed Spin-off and Listing if a general meeting were to be convened by the Company to approve the Proposed Spin-off and Listing.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited



Kenneth Yam

Director – Corporate Finance



Roger Tang

Senior Vice President

Note: Mr. Kenneth Yam has been a Responsible Officer and Mr. Roger Tang has been a Representative of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Both of them have extensive experience in the corporate finance industry and have participated in the provision of independent financial advisory services for numerous transactions involving listed companies in Hong Kong.