

6 June 2022

*To: Independent H Shareholders of Lanzhou Zhuangyuan Pasture Co., Ltd.**

Dear Sirs,

**1. CONDITIONAL CASH OFFER BY ELSTONE SECURITIES
ON BEHALF OF
LANZHOU ZHUANGYUAN PASTURE CO., LTD.*
TO BUY-BACK ALL THE ISSUED H SHARES
AT HK\$10.89 PER H SHARE; AND**

**2. PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF
THE H SHARES OF LANZHOU ZHUANGYUAN PASTURE CO., LTD.*
ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal of Listing, details of which are set out in the Offer Document dated 6 June 2022 issued by the Company to the Independent H Shareholders, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Offer Document unless the context otherwise requires.

Reference is made to the letter from the Board (the “**Board Letter**”) contained in the Offer Document in relation to the possible Share Buy-back Offer and the Voluntary Withdrawal of Listing. A board meeting of the Company was held on 25 April 2022, whereby the Board has resolved, among other matters, that subject to compliance with the Takeovers Code, the Share Buy-backs Code and the Listing Rules, the Share Buy-back Offer shall be made to buy-back all H Shares in issue. All H Shares bought-back under the Share Buy-Back Offer will be cancelled. If the Share Buy-back Offer becomes unconditional in all respects, the Company will make an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

As extracted from the Board Letter, Elstone Securities, on behalf of the Company and in compliance with the Takeovers Code and Share Buy-backs Code, will make the Share Buy-back Offer on the terms set out in the Offer Document on the following basis:

For each Offer Share

HK\$10.89 in cash

The Company will not increase the Offer Price as set out above. Shareholders and potential investors should be aware that, following the making of this statement, the Company will not be allowed to increase the Offer Price and the Company does not reserve the right to increase the Offer Price.

Subject to the Share Buy-back Offer becoming unconditional in all respects, the Offer Shares to be acquired shall be fully paid and free from all Encumbrances, together with all rights attached or accrued thereto on or after the closing date of the Share Buy-back Offer, including the right to receive in full all dividends and other distributions declared, if any, the record date of which falls on or after the closing date of the Share Buy-back Offer.

If the Share Buy-back Offer materialises and becomes unconditional, such H Shares which will be bought back by the Company will be cancelled, and the listing of H Shares of the Company will be withdrawn pursuant to the Takeovers Code, the Share Buy-backs Code and the Listing Rules. Upon the Share Buy-back Offer becoming unconditional, the Company will make an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules by way of capital reorganisation.

The Share Buy-back Offer, together with the Voluntary Withdrawal of Listing, are subject to the fulfilment of a number of conditions as set out in the Offer Document, including the passing of resolutions approving the Share Buy-back Offer and the Voluntary Withdrawal of Listing at the EGM and class meetings and minimum valid acceptances of the Share Buy-back Offer being received amounting to at least 90% of the H Shares held by the Independent H Shareholders.

As at the Latest Practicable Date, the Company has 35,130,000 H Shares in issue, and no H Shares are held by the Company, the Directors and parties acting in concert with any of them, and hence, all H Shareholders are considered as Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal of Listing. Therefore, all H Shareholders (being the Independent H Shareholders) are eligible to vote at the H Shareholders Class Meeting and the EGM.

As at the Latest Practicable Date, the Company has 197,251,032 A Shares in issue. As there is no restriction under the articles of association of the Company and the laws and regulations in the PRC in relation to the voting rights of the Directors and parties acting in concert with any of the Company and the Directors at the A Shareholders Class Meeting and the EGM, all A Shareholders are eligible to vote at the A Shareholders Class Meeting and the EGM.

The Company will not make an offer for the A Shares and it is the Company's intention to maintain the listing of the A Shares on the Shenzhen Stock Exchange. As advised by the PRC legal advisers to the Company, the Company is not required to make a comparable offer for the A Shares pursuant to the PRC laws and regulations.

Pursuant to Rule 3.3 of the Share Buy-backs Code, as no Directors will be considered as independent in respect of the Share Buy-back Offer and the Voluntary Withdrawal of Listing, no independent board committee will be formed for the purpose of the Share Buy-back Offer and the Voluntary Withdrawal of Listing.

We, Veda Capital, have been appointed as the Independent Financial Adviser to advise the Independent H Shareholders and to provide recommendation on whether the Share Buy-back Offer and the Voluntary Withdrawal of Listing are fair and reasonable and in the interests of the Independent H Shareholders and as to acceptance of the Share Buy-back Offer and voting at the EGM and the H Shareholders Class Meeting in respect of the Share Buy-back Offer and Voluntary Withdrawal of Listing, pursuant to Rule 2.1 of the Takeovers Code.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Share Buy-back Offer and the Voluntary Withdrawal of Listing, there were no other engagements between us and the Group. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any party acting, or presumed to be acting, in concert with it. Accordingly, we are considered eligible to give independent advice to the Independent H Shareholders in respect of the Share Buy-back Offer and the Voluntary Withdrawal of Listing.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent H Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Offer Document and the representations made to us by the Directors and/or the management of the Company (the "**Management**").

We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent H Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Offer Document were reasonably made after due enquiries and careful consideration. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in the Offer Document, the omission of which would make any statement in the Offer Document misleading. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Offer Document, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding entered into by the Group concerning the Share Buy-back Offer and the Voluntary Withdrawal of Listing. In rendering our opinion in the Offer Document, we have researched, analyzed and relied on (i) information in relation to the Group, including but not limited to, the published financial reports of the Company for the three financial years ended 31 December 2021; (ii) information provided by the Company; (iii) the Offer Document; (iv) recent announcements of the Company published on the Stock Exchange; (v) market information obtained from the website of the Stock Exchange; and (vi) information obtained from governmental websites, including the government of the PRC (<http://www.gov.cn>) and the National Bureau of Statistics of the PRC (<http://www.stats.gov.cn>).

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Offer Document, save and except for this letter. We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group and other parties acting in concert with the Company or their respective subsidiaries or associates (if applicable).

Our opinion is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Should there be any material changes to the statements, information and/or representation affecting our opinion after the Latest Practicable Date, the Independent H Shareholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

We have not considered the tax and regulatory implications on the Group or the Independent H Shareholders as a result of the Share Buy-back Offer since these depend on their individual circumstances. In particular, the Independent H Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Share Buy-back Offer.

This letter is issued for the information for the Independent H Shareholders solely in connection with their consideration of Share Buy-back Offer and the Voluntary Withdrawal of Listing, except for its inclusion in the Offer Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent H Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

Business and financial information of the Group

With reference to the “Letter from the Board” of the Offer Document, the Company was incorporated in the PRC with limited liability in April 2000, and was converted into a joint stock company in April 2011. The Company’s H Shares were listed on the Main Board of the Stock Exchange in October 2015, and its A Shares were listed on the Main Board of the Shenzhen Stock Exchange in October 2017. The Group is principally engaged in the production, processing and sales of raw milk and dairy products, and dairy farming business.

Set out below is a summary of the Group’s audited consolidated financial information for the financial years ended 31 December 2021 and 2020 as extracted from the Company’s annual report for the financial year ended 31 December 2021.

	For the financial years ended		Changes
	31 December 2021	31 December 2020	
	RMB’000	RMB’000	%
	(audited)	(audited)	
Revenue	1,021,432	739,821	38.06
Profit for the year attributable to Shareholders	53,533	10,453	412.13
	As at		

	31 December 2021	31 December 2020	Changes
	<i>RMB '000</i>	<i>RMB '000</i>	<i>%</i>
	(audited)	(audited)	
Total assets	2,810,380	3,080,558	(8.77)
Net assets attributable to Shareholders	1,640,693	1,591,834	3.07

The Group recorded revenue for the year ended 31 December 2021 in the amount of approximately RMB1,021.43 million, representing an increase of approximately 38.06% as compared to that of the year ended 31 December 2020 in the amount of approximately RMB739.82 million. As advised by the Company, the increase in revenue was mainly due to the fact that (i) the Group consolidated traditional channels and adopted an aggressive sales policy during the year ended 31 December 2021; and (ii) the Company diversified its development by selling its surplus own produced fresh milk from time to time on the premise of satisfying the needs of the production of dairy products.

The Group recorded a profit attributable to Shareholders for the year ended 31 December 2021 in the amount of approximately RMB53.3 million, representing an increase of approximately 412.13% as compared to that for the year ended 31 December 2020 in the amount of approximately RMB10.45 million. As advised by the Company, the increase in profit was mainly due to (i) the increase in revenue as mentioned in the above; and (ii) the low profit base for the financial year ended 31 December 2020 which was mainly due to the impact of COVID-19 and high impairment loss on fixed assets in the amount of approximately RMB65.87 million, including (a) the preparation for the provision of approximately RMB54.06 million for asset impairment for a subsidiary of the Group as they were likely to be at risk of shut-down in the following three years; and (b) the impairment provision of approximately RMB11.62 million in relation to the Group's fixed assets which have been delimited into forbidden areas for animal and poultry and included in the area of closure and relocation as they may be disposed of in advance due to such relocation and closure.

The Group's audited total assets as at 31 December 2021 amounted to approximately RMB2,810.38 million. The Group's audited net asset value attributable to Shareholders increased by approximately 3.07% to approximately RMB1,640.69 million as at 31 December 2021 from approximately RMB1,591.83 million as at 31 December 2020 which was mainly due to the increase in retained earnings resulted from the profit attributable to the Shareholders for the year ended 31 December 2021 as discussed in the above.

Set out below is a summary of the Group's audited consolidated financial information for the financial years ended 31 December 2020 and 2019 as extracted from the Company's annual report for the financial year ended 31 December 2020.

	For the financial years ended		Changes
	31 December	31 December	
	2020	2019	%
	<i>RMB'000</i>	<i>RMB'000</i>	
	(audited)	(audited)	
Revenue	739,821	813,554	(9.06)
Profit for the year attributable to Shareholders	10,453	51,321	(79.63)

	As at		Changes
	31 December	31 December	
	2020	2019	%
	<i>RMB'000</i>	<i>RMB'000</i>	
	(audited)	(audited)	
Total assets	3,080,558	2,492,727	23.58
Net assets attributable to Shareholders	1,591,834	1,225,407	29.90

The Group recorded revenue for the year ended 31 December 2020 in the amount of approximately RMB739.82 million, representing a decrease of approximately 9.06% as compared to that of the year ended 31 December 2019 in the amount of approximately RMB813.55 million. As advised by the Company, the decrease in revenue was mainly due to (i) the highly competitive market of PRC dairy products during the period, especially liquid milk products; (ii) the lower sales price of the Group's products in response to the outbreak of COVID-19 in early 2020 which had a significant impact on the product sales of the Group.

The Group recorded a profit attributable to Shareholders for the year ended 31 December 2020 in the amount of approximately RMB10.45 million, representing a decrease of approximately 79.63% as compared to that for the year ended 31 December 2019 in the amount of approximately RMB51.32 million. As advised by the Company, the decrease in profit was mainly due to (i) the decrease in revenue as mentioned in the above; (ii) the lower sales price of the Group's products in response to the outbreak of COVID-19 in the first half of year 2020 resulting in an overall decline in gross profit margin; and (iii) the provision for impairment of fixed assets in the amount of approximately RMB65.87 million.

The Group's audited total assets as at 31 December 2020 amounted to approximately RMB3,080.56 million. The Group's audited net asset value attributable to Shareholders increased by approximately 29.90% to approximately RMB1,591.83 million as at 31 December 2020 from approximately RMB1,225.41 million as at 31 December 2019, which was mainly due to the increase in capital premium in the amount of approximately RMB325.88 million resulted from the non-public issuance of A Shares.

Set out below is a summary of the Group's audited consolidated financial information for the financial years ended 31 December 2019 and 2018 as extracted from the Company's annual report for the financial year ended 31 December 2019.

	For the financial years ended		Changes
	31 December	31 December	
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	(audited)	(audited)	
Revenue	813,554	657,732	23.69
Profit for the year attributable to Shareholders	51,321	63,533	(19.22)

	As at		Changes
	31 December	31 December	
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	(audited)	(audited)	
Total assets	2,492,727	2,048,109	21.71
Net assets attributable to Shareholders	1,225,407	1,184,407	3.46

The Group recorded revenue for the year ended 31 December 2019 in the amount of approximately RMB813.55 million, representing an increase of approximately 23.69% as compared to that of the year ended 31 December 2018 in the amount of approximately RMB657.73 million. As advised by the Company, the increase in revenue was mainly due to the acquisition of Xi'an Dongfang Dairy Company Limited at the end of year 2018 which increased the consolidated revenue of the Group for the year ended 31 December 2019.

The Group recorded a profit attributable to Shareholders for the year ended 31 December 2019 in the amount of approximately RMB51.32 million, representing a decrease of approximately 19.22% as compared to that for the year ended 31 December 2018 in the amount of approximately RMB63.53 million. As advised by the Company, the decrease in profit was mainly due to (i) the increase in administration expenses in the amount of approximately RMB28.68 million which was mainly attributable to the acquisition of Xi'an Dongfang Dairy Company Limited; and (ii) the provision of impairment loss of goodwill in the amount of approximately RMB48.72 million.

The Group's audited total assets as at 31 December 2019 amounted to approximately RMB2,492.73 million. The Group's audited net asset value attributable to Shareholders increased by approximately 3.46% to approximately RMB1,225.41 million as at 31 December 2019 from approximately RMB1,184.41 million as at 31 December 2018 which was mainly due to the increase in retained earnings resulted from the profit attributable to the Shareholders for the year ended 31 December 2019 as discussed in the above.

Furthermore, the Company had distributed dividend of RMB5.50 cents, RMB2.00 cents and RMB4.70 cents per Share cents to the Shareholders for each of the period for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 respectively.

We noticed from the above that the operation and profitability of the Group could be materially affected by the outbreak of COVID-19 as the case may be in the PRC during the year ended 31 December 2020.

2. Intention in respect of the Company

Set out below is the intention in respect of the Company as extracted from "Letter from the Board" in the Offer Document:

The Company intends to buy-back all the H Shares and withdraw the listing of its H Shares from the Stock Exchange pursuant to the Share Buy-back Offer. The Company intends to maintain the listing status of the A Shares on the Main Board of the Shenzhen Stock Exchange.

It is the intention of the Company that, after the delisting of the H Shares, (i) the Group will continue to carry on its current business, which principally comprises the dairy farming business, the production and sales of raw milk and dairy products; (ii) the Company will not introduce any major changes to the business of the Group (including any redeployment of fixed assets of the Group) in the foreseeable future; and (iii) the Company will not make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Share Buy-back Offer or the Voluntary Withdrawal of Listing.

3. Irrevocable Undertakings

Set out below is the information regarding the Irrevocable Undertakings as extracted from “Letter from the Board” in the Offer Document:

Pursuant to the Irrevocable Undertakings, each of the IU Shareholders has irrevocably and unconditionally undertaken to the Company that, amongst others, he/it:

- (a) will accept or procure the acceptance of the Share Buy-back Offer in respect of all the H Shares held or controlled, or to be acquired, by him/it;
- (b) will exercise or procure the exercise of all voting rights attached to the Shares held, or to be acquired, by him/it at the H Shareholders Class Meeting, the A Shareholders Class Meeting and the EGM (as the case may be) in favour of all the resolutions which are necessary to implement otherwise related to the Share Buy-back and the Voluntary Withdrawal of Listing; and
- (c) will not sell, transfer, impose any encumbrance over, or grant to any third party any rights attaching to the Shares held, or to be acquired, by him/it (other than the acceptance of the Share Buy-back Offer).

As at the Latest Practicable Date, the IU Shareholders are interested in 8,773,500 H Shares in total (representing approximately 24.97% of the total number of H Shares in issue) and do not hold any interests in A Shares, among which Mr. Hu Keliang directly owns 4,837,500 H Shares (representing approximately 13.77% of the total number of H Shares in issue) and Mr. Wang Wei are interested in 3,936,000 H Shares (representing approximately 11.20% of the total number of H Shares in issue) comprising 1,640,000 H Shares held in his personal capacity and 2,296,000 H Shares held by his wholly-owned company, Venko Limited.

The obligations and commitments of the IU Shareholders under the Irrevocable Undertakings shall terminate only if the Share Buy-back Offer is withdrawn or lapsed.

4. Reasons for the Share Buy-back Offer

As stated in the Board Letter, the Board believes that the Share Buy-back Offer and the Voluntary Withdrawal of Listing is in the interests of the Company and the Shareholders as a whole on the following bases:

- (a) the Share Buy-back Offer is expected to provide an exit opportunity for H Shareholders to realise their investment in the Company at the Offer Price, which represents a premium over the market price of the H Share, without discount on the lack of liquidity in the trading of the H Shares;
- (b) the Company's earnings per Share is expected to increase upon the cancellation of the H Shares repurchased pursuant to the Share Buy-back Offer; and
- (c) given the relatively low trading volume of the H Shares, the Company believes that its ability to raise funds from the public equity market in Hong Kong is currently limited and any significant improvement in this regard in the foreseeable future is unlikely. Consequently, the Company considers that the costs and management resources associated with the maintenance of the listing of its H Shares on the Stock Exchange, which are needed in order to access the public equity capital market in Hong Kong, may no longer be warranted.

In light of the above, we have considered the followings:

- (a) ***The lack of liquidity in the trading of the H Shares may cause abnormal share price fluctuation***

Based on our understanding, a low trading liquidity of a listed issuer's shares may normally make it difficult for the listed issuer's shareholders to execute substantial on-market disposals without adversely affecting the price of the shares and also make it difficult for the listed issuer's shareholders to dispose of a large number of shares when any event that has an adverse impact on the listed issuer's share price occurs.

We performed a trading liquidity analysis of the H Shares for the period from 1 December 2020, being approximately one year prior to the commencement of the Offer Period, up to and including the Latest Practicable Date (the “**Review Period**”). The number of trading days per month, the average daily number of the H Shares traded per month, and the percentage of the average daily H Shares’ trading volume for each calendar month as compared to the total number of issued H Shares as at the Latest Practicable Date, during the Review Period are illustrated below:

Month	Number of trading days	Average daily trading volume (the “Average Volume”) (Number of Shares)	% of the Average Volume to total number of issued H Shares as at the Latest Practicable Date (note) Approximate %
2020			
December	22	24,295	0.07
2021			
January	20	73,550	0.21
February	18	61,774	0.18
March	23	17,935	0.05
April	19	446,342	1.27
May	20	134,375	0.38
June	21	185,333	0.53
July	21	141,429	0.40
August	22	34,614	0.10
September	21	28,429	0.08
October	18	217,306	0.62
November	22	141,364	0.40
December	22	234,000	0.67
2022			
January	21	72,167	0.21
February	17	79,765	0.23
March	23	155,696	0.44
April	17	95,382	0.27
May	19	75,816	0.22
June (up to and including the Latest Practicable Date)	2	4,500	0.01

Source: Website of the Stock Exchange

Note: Based on 35,130,000 H Shares in issue as at the Latest Practicable Date.

As illustrated from the table above, the H Shares' trading volume was thin during the Review Period. The Average Volume of the H Shares traded in each month was not higher than 2% of the total number of the H Shares in issue as at the Latest Practicable Date. In light of the above, given the low trading liquidity of the H Shares, we consider that any disposal of a large number of the Shares by the Shareholders in the open market may have adverse impact on the price of the Shares.

(b) *The dairy products industry outlook of the Group*

The Group is principally engaged in the production, processing and sales of raw milk and dairy products, and dairy farming business. According to the statistics published by the National Bureau of Statistics of the PRC (<http://www.stats.gov.cn>), we noted that the average dairy consumption per capita in the PRC increased from approximately 12.0 kilograms in 2016 to approximately 13.0 kilograms in 2020, representing a compound annual growth rate of approximately 2.02%. The annual milk production in the PRC increased from approximately 30.4 million tons in 2017 to approximately 36.8 million tons in 2021, representing a compound annual growth rate of approximately 4.89%.

As illustrated above, the dairy and related products industry in the PRC had shown moderate growth in recent years. In response to the growing dairy and related products industry, the PRC government and consumers are also gaining more attention to the healthy, quality and nutritional value of dairy products and the growing focus on food health and quality of dairy products calls for more stringent quality control over raw milk procurement and production. According to the "Opinion on Advancing the Prosperity of Dairy Industry and Assuring the Quality of Dairy Products* (推進奶業振興保障乳品質量安全的意見)" implemented by the General Office of the State Council of the PRC in 2018, among others, (i) national standards, including safety and hygiene requirements, for milk and a variety of dairy products, would be raised; (ii) relevant laws, regulations and standards for baby milk powder should be enforced and the management for the registration of formula of baby milk powder products would be reinforced; and (iii) regulations in relation to the usage and supervision of feed and veterinary drugs in dairy farming would be strengthened. Considering that the PRC government has continued to increase its awareness on healthcare and food quality control in the PRC, more regulatory policies may be proposed and/or implemented in the dairy and related products industry in the PRC (i.e. health related standards) which may impact the manufacturing costs of dairy product manufacturers in the PRC. Based on the above, we are of the view that the industry of the dairy and related products has had experienced moderate growth in the recent years, however, such growth and the Group's development may be affected, as and when more national regulation to be imposed on the industry.

(c) Unlock value at a premium for the H Shareholders

During the Review Period, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange were HK\$10.08 recorded on 4 May 2022 and 5 May 2022 and HK\$5.61 recorded on 31 December 2021. The Offer Price remained higher than the closing price of the H Shares in all trading days during the Review Period. Detailed analysis on the Offer Price is contained in the sub-section headed “5. The Offer Price” below.

We have reviewed the performance of the Hang Seng Index, which is generally considered as one of the most representative indicators for the performance of the equity market in Hong Kong, from 25 April 2017 to 25 April 2022 (the “**HSI Review Period**”), being the latest five full-year and up to the date of the Rule 3.5 Announcement. We note that the closing Hang Seng Index were between 18,415.08 and 33,154.12 from 25 April 2017 to 26 January 2018. The closing Hang Seng Index fluctuated thereafter, along with a significant fall during February 2020 and March 2020 where the closing Hang Seng Index fell by 6,263.47. Despite the later resurgence during November 2020 to February 2021 where the closing Hang Seng Index reached 30,746.66 on 16 February 2021, the closing Hang Seng Index shown a general downward trend and reached 18,415.08 as at the date of the Rule 3.5 Announcement. The equity market in Hong Kong has been volatile and formed a general downward trend from February 2021 up to the date of the Rule 3.5 Announcement.

On the other hand, amidst the volatile performance and pessimistic sentiment in the general equity market, the Share Buy-back Offer represents an opportunity to realise Independent H Shareholders’ investments in the Company at a cash consideration which represents premiums over recent closing prices of H Share. The Share Buy-back Offer also allows the Independent H Shareholders to redeploy their capital from accepting the Share Buy-back Offer into other investment opportunities that they may consider more attractive in the current market environment.

5. The Offer Price

(a) Offer Price comparison

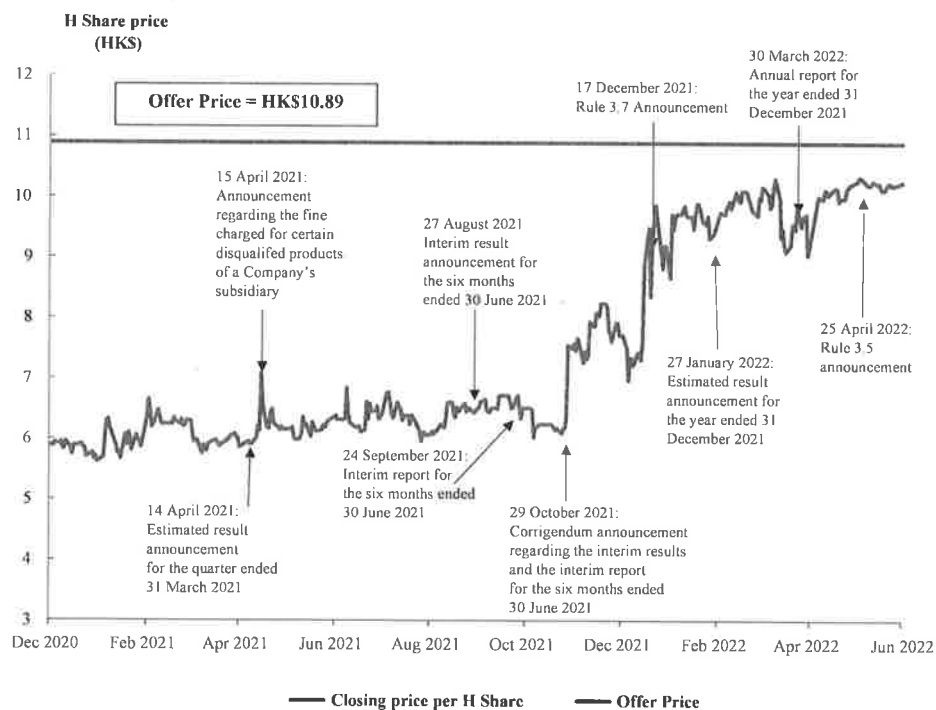
The Offer Price of HK\$10.89 represents:

- (i) a premium of approximate 8.25% over the closing price of the H Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$10.06 per Share;
- (ii) a premium of approximately 11.69% over the closing price of HK\$9.75 per H Share as quoted on the Stock Exchange on 22 April 2022, being the last trading day prior to the publication of the Rule 3.5 Announcement;
- (iii) a premium of approximately 25.17% over the closing price of HK\$8.70 per H Share as quoted on the Stock Exchange on 17 December 2021, being the Last Trading Day;
- (iv) a premium of approximately 43.10% over the average of the closing prices of the H Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$7.61 per H Share;
- (v) a premium of approximately 47.36% over the average of the closing prices of the H Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of HK\$7.39 per H Share;
- (vi) a premium of approximately 43.48% over the average of the closing prices of the H Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$7.59 per H Share;
- (vii) a premium of approximately 54.25% over the average of the closing prices of the H Shares as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of HK\$7.06 per H Share;
- (viii) a premium of approximately 58.75% over the average of the closing prices of the H Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$6.86 per H Share;
- (ix) a premium of approximately 26.48% over the audited consolidated net asset value of approximately RMB7.06 (equivalent to approximately HK\$8.61) per Share (based on (i) the audited consolidated net asset value as stated in the annual results announcement of the Company for the year ended 31 December 2021 published on 30 March 2022; (ii) 232,381,032 Shares in issue as at the Latest Practicable Date; and (iii) the Exchange Rate); and

- (x) a premium of approximately 12.50% to the adjusted unaudited consolidated net asset value (the “Adjusted NAV”) per Share of approximately RMB7.93 (equivalent to approximately HK\$9.68) per Share, based on the equity attributable to owners of the Company of approximately RMB1,652.0 million as at 31 March 2022 as extracted from the first quarterly report of the Company for the three months ended 31 March 2022 and adjusted upward by the valuation of the property interest held by the Company attributable to owners of the Company of approximately RMB191.0 million (comparison between the Group’s property interests with a book value of approximately RMB1,233.0 million as at 31 March 2022 and the valuation of property interest as at the valuation date of RMB1,424.0 million) as set out in the property valuation report in Appendix IV to the Offer Document and the issued share capital of the Company of 232,381,032 Shares as at the Latest Practicable Date.

(b) Historical price performance of the H Shares

The graph below illustrates the historical closing prices of the H Shares as quoted from the Stock Exchange during the Review Period. We consider that the Review Period is fair, adequate, representative and sufficient to illustrate the general trend and level of movement of recent closing price of the H Shares for conducting a reasonable comparison among the historical closing prices of the H Shares and the Offer Price. The comparison of daily closing prices of the H Shares and the Offer Price is illustrated as follows:



Source: Website of the Stock Exchange

During the Review Period, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange were HK\$10.08 recorded on 4 May 2022 and 5 May 2022 and HK\$5.61 recorded on 31 December 2021.

From 1 December 2020 (being the beginning of the Review Period) to 28 October 2021, the closing price of the H Shares fluctuated between HK\$5.61 and HK\$7.00.

After trading hours on 29 October 2021, the Company published an announcement in relation to corrigendum and adjustment for the Company's interim result announcement and interim report for the six months ended 30 June 2021, pursuant to which the staff of the Company failed to distinguish between the model of subcontracting processing business and the model of supplying raw milk and providing processing services, and classified the revenue from the above businesses under "sterilised milk" during the preparation of the interim report of the Company for the six months ended 30 June 2021. During the preparation of the third quarterly report for the quarter ended 30 September 2021, the staff of the Company reclassified and distinguished the model of subcontracting processing business and the model of supplying raw milk and providing processing services in accordance with the cooperation agreement entered into between the Company and its business partners. Nevertheless, the closing price of the H Shares gained to a level of HK\$7.44 on 29 October 2021. Since early November 2021 and up to 16 December 2021 (the last full trading day prior to the publication of the Rule 3.7 Announcement), the closing price of the H Shares maintained between HK\$6.89 and HK\$8.10.

On 17 December 2021 and immediately before the suspension of trading of the H Shares at 11:33 a.m., the closing price of the H Shares spiked to HK\$8.7, which has been further increased to HK\$9.28 on 20 December 2021 after the publication of the Rule 3.7 Announcement and resumption of trading of the H Shares. Since the 20 December 2021 and up to the Latest Practicable Date, the closing price of the H Shares has sustained between HK\$8.21 and HK\$10.08.

The Offer Price remained higher than the closing price of the H Shares in all trading days during the Review Period.

Independent H Shareholders should note that the information set out above is not an indicator of the future performance of the H Shares, and that the price of the H Shares may increase or decrease from its closing price as at the Latest Practicable Date.

(c) Comparison with other comparable companies

To further assess the fairness and reasonableness of the Offer Price, we have performed a price-to-earnings ratio (the “**PER**”) and a price-to-book ratio (the “**PBR**”) analysis, both being the most commonly used benchmark for valuation of companies, to compare the Offer Price against the market valuation of other comparable companies. While it should be noted that all the subject companies involved in the comparable analysis may have different market capitalisation, financial positions and geographical operations as compared with those of the Company, the following comparable analysis is meant to cover a list of similar companies listed on the Stock Exchange and form an appropriate sample size to reflect the value of comparable companies in the same industry.

In this regard, considering that the nature of the business (i.e. production and sales of dairy related products) for different size of dairy and related products manufacturers can be similar in the PRC, we have not considered market capitalisation as one of our selection criteria in our analysis, and alternatively, we have focused to conduct a search of comparables which meet the criteria of (i) which derived more than 50% of their revenue from the production and/or sales of milk and dairy related products based on their respective latest published financial information; and (ii) trading of shares of such listed companies were not halted/suspended for more than three months as at the Latest Practicable Date.

Based on the aforesaid selection criteria and based on our search conducted through published information on the Stock Exchange's website, we have found an exhaustive list of 8 comparables (the "Industry Comparable(s)") that share similar comparable businesses of the Group for us to form a view on the terms of the Share Buy-back Offer and we are of the view that the Industry Comparables are sufficient and representative as references to the terms of the Share Buy-back Offer.

No.	Company (stock code)	Principal business	Market Cap HK\$' million	PER times approx. (note 1)	PBR times approx. (note 2)
1.	Ausnutria Dairy Corporation Ltd (1717)	Research and development, production, marketing and distribution of dairy and related products and nutrition products to its worldwide customers, particularly in the PRC	12,081.1	9.52	1.79
2.	China Feihe Limited (6186)	Production and sale of dairy products and raw milk, and sale of nutritional supplements	62,247.5	7.43	2.44
3.	China Mengniu Dairy Company Limited (2319)	Manufacturing and distribution of quality dairy products including liquid milk, ice cream, milk formula and cheese in the PRC	170,385.8	27.79	3.79
4.	China Modern Dairy Holdings Ltd (1117)	Production and sale of raw milk to customers for processing into dairy products	9,261.3	7.45	0.70
5.	China Shengmu Organic Milk Limited (1432)	Cows farming, production and sales of high-end desert organic raw milk and premium non-organic raw milk	3,059.2	5.32	0.68
6.	China Youran Dairy Group Limited (9858)	Provides premium raw milk to large-scale dairy manufacturers and offers ruminant farming products and services to dairy farms in the PRC	12,411.0	6.53	0.77
7.	Yashili International Holdings Ltd (1230)	Production and sale of milk powder, dissolvable and other dairy products	3,891.4	Loss making	0.58
8.	YuanShengTai Dairy Farm Limited (1431)	Production and sale of raw milk	1,116.3	5.83	0.18
			Maximum	27.79	3.79
			Minimum	5.32	0.18
			Average	9.98	1.37
			Median	7.43	0.74
				Implied PER (times)	Implied PBR (times)
	The Company	Production, processing and sales of raw milk and dairy products, and dairy farming business	382.6	39.51	1.13

Notes:

1. The PER of the Industry Comparables are calculated by dividing their respective market capitalization as at the date of the Rule 3.5 Announcement by their respective profit attributable to shareholders (or H shareholders if applicable) of the companies according to their latest available annual results or reports or listing documents.

The PER of the Company (the “**Implied PER**”) is calculated by dividing its market capitalization based on the Offer Price by its profit attributable to H Shareholders for the financial year ended 31 December 2021.

2. The PBR of the Industry Comparables are calculated by dividing their respective market capitalization as at the date of the Rule 3.5 Announcement by their respective equity attributable to shareholders (or H shareholders if applicable) of the companies according to their latest available interim/annual results or reports or listing documents.

The PBR of the Company (the “**Implied PBR**”) is calculated by dividing its market capitalization based on the Offer Price by the Adjusted NAV attributable to H Shareholders.

3. The Exchange Rate has been applied.

We note from the table above that:

- (i) the Implied PER of 39.51 times is above the range of the Industry Comparables from approximately 5.32 times to approximately 27.79 times (the “**PER Range**”); and
- (ii) the Implied PBR of 1.13 times is within the range of the Industry Comparables from approximately 0.18 times to approximately 3.79 times (the “**PBR Range**”), below the average of the PBRs of the Industry Comparables of approximately 1.37 times (the “**PBR Average**”) and above the median of the PBRs of the Industry Comparables of approximately 0.74 times (the “**PBR Median**”).

In light of the above, we consider that this comparable analysis provides an additional indicator to demonstrate that the Offer Price is fair and reasonable so far as the Independent H Shareholders are concerned.

(d) Comparison with other withdrawal of listing precedents involving general offer

To further assess the fairness and reasonableness of the Offer Price, we have searched for successful and completed withdrawal of listing precedents by way of share buy-back offer announced by listed companies in Hong Kong from for the period from 17 June 2020, being 18 months prior to the commencement of the Offer Period, up to and including the Latest Practicable Date (the “**Comparable Review Period**”), excluding transactions involving a share consideration or transactions with required acceptance level not achieved or yet to be achieved. However, we could only find Zhejiang Cangnan Instrument Group Company Limited (1743) which has met the above criteria and had similar arrangement to the Share Buy-back and the Voluntary Withdrawal.

In light of the above, for the Independent H Shareholders' information purpose only, we have broadened our research criteria and conducted a search of (i) successful and completed privatisation transactions of other listed companies offering a cash consideration; and (ii) successful general cash offer involving the withdrawal of listing of shares as announced by other companies listed on the Stock Exchange during the Comparable Review Period. Based on the aforesaid criteria, we have identified an exhaustive list of 40 comparable transactions (the "Price Comparable(s)") which we considered sufficient and representative. However, it should be noted that the Price Comparables were conducted under different market conditions. Therefore, the factors and considerations that affect the premia or discounts of cancellation prices vary on a case-by-case basis, and may be different from those applicable to the Share Buy-back Offer and the Voluntary Withdrawal of Listing. Set out below is our findings:

No.	Company (stock code)	Initial announcement date of their respective transactions (note 1)	Premium/(discount) of the offer/cancellation price over/to		
			closing price per share on last trading day before the publication of the respective announcement (if applicable) approx. % (note 2)	closing price per share on last trading day before the publication of the respective announcement approx. % (note 3)	average closing prices per share on last 30 trading days before the publication of the respective announcement approx. % (note 4)
1.	Guodian Technology & Environment Group Corporation Limited (1296)	24 January 2022	n/a	47.95	93.09
2.	PFC Device Inc. (8231)	11 December 2021	n/a	29.63	86.17
3.	Shanghai Jin Jiang Capital Company Limited (2006)	24 November 2021	n/a	33.62	77.14
4.	Razer Inc. (1337)	29 October 2021	55.80	5.60	19.00
5.	Yorkey Optical International (Cayman) Ltd. (2788)	15 October 2021	n/a	75.30	102.60
6.	C.P. Pokphand Co. Ltd (43)	30 September 2021	n/a	19.79	27.78
7.	Hop Hing Group Holdings Limited (47)	6 September 2021	n/a	73.90	70.90
8.	Good Friend International Holdings Inc. (2398)	12 August 2021	n/a	50.00	61.58
9.	Nature Home Holding Company Limited (2083)	27 July 2021	n/a	39.30	31.80
10.	Beijing Capital Land Ltd. (2868)	09 July 2021	n/a	62.79	127.64
11.	Bestway Global Holding Inc. (3358)	25 June 2021	n/a	27.00	47.00
12.	Chong Hing Bank Limited (1111)	18 May 2021	n/a	51.20	107.40

No.	Company (stock code)	Initial announcement date of their respective transactions <i>(note 1)</i>	Premium/(discount) of the offer/cancellation price over/to		
			closing price per share on last trading day before the publication of the respective Rule 3.7 announcement (if applicable) <i>approx. % (note 2)</i>	closing price per share on last trading day before the publication of the respective Rule 3.5 announcement <i>approx. % (note 3)</i>	average closing prices per share on last 30 trading days before the publication of the respective Rule 3.5 announcement <i>approx. % (note 4)</i>
13.	Inner Mongolia Energy Engineering Co., Ltd (1649)	20 April 2021	n/a	51.26	40.63
14.	Xiezhong International Holdings Limited (3663)	28 February 2021	n/a	17.60	25.00
15.	Sichuan Languang Justbon Services Group Co., Ltd (2606) <i>(note 5)</i>	25 February 2021	39.41	3.36	46.76
16.	Zhejiang Cangnan Instrument Group Company Limited (1743)	05 February 2021	15.18	10.89	12.01
17.	Zhuhai Holdings Investment Group Limited (908)	22 January 2021	n/a	37.84	52.39
18.	Polytec Asset Holdings Limited (208)	21 January 2021	n/a	61.29	72.55
19.	Zhejiang New Century Hotel Management Co., Ltd. (1158)	20 January 2021	n/a	24.70	20.80
20.	HKC (Holdings) Limited (190)	17 January 2021	n/a	120.39	119.78
21.	China Machinery Engineering Corporation (1829)	13 January 2021	n/a	45.10	118.9
22.	Huifu Payment Limited (1806)	22 December 2020	n/a	26.81	47.04
23.	SHK Hong Kong Industries Limited (666)	18 December 2020	n/a	50.00	56.70
24.	Rivera (Holdings) Limited (281)	17 December 2020	62.50	12.07	26.34
25.	Creative Enterprise Holdings Ltd (3992)	14 December 2020	(23.40)	(5.50)	3.30
26.	I.T Limited (999)	6 December 2020	n/a	54.60	135.50

No.	Company (stock code)	Initial announcement date of their respective transactions <i>(note 1)</i>	Premium/(discount) of the offer/cancellation price over/to		
			closing price per share on last trading day before the publication of the respective announcement (if applicable) <i>approx. % (note 2)</i>	closing price per share on last trading day before the publication of the respective announcement <i>approx. % (note 3)</i>	average closing prices per share on last 30 trading days before the publication of the respective announcement <i>approx. % (note 4)</i>
27.	CAR Inc. (699)	13 November 2020	n/a	17.99	52.17
28.	Tonly Electronics Holdings Limited (1249)	30 October 2020	n/a	19.00	28.00
29.	Powerleader Science & Technology Group Limited (8236)	19 October 2020	n/a	14.60	10.10
30.	CIMC-TianDa Holdings Company Limited (445)	4 October 2020	n/a	20.36	18.22
31.	China ZhongDi Dairy Holdings Company Limited (1492)	27 September 2020	n/a	11.00	22.80
32.	AMIVG Holdings Limited (2300)	24 September 2020	n/a	51.39	56.83
33.	TEM Holdings Limited (8346)	22 September 2020	n/a	50.00	59.50
34.	Changshouhua Food Company Limited (1006)	7 September 2020	n/a	16.40	43.20
35.	Leyou Technologies Holdings Limited (1089)	7 August 2020	30.27	4.46	8.32
36.	Xinghua Port Holdings Ltd. (1990)	29 July 2020	n/a	23.67	58.35
37.	O-Net Technologies (Group) Limited (877)	8 July 2020	n/a	23.57	24.56
38.	Vantage International (Holdings) Limited (15)	2 July 2020	n/a	80.00	119.50
39.	China Baofeng (International) Limited (3966)	21 June 2020	n/a	27.50	52.00
40.	Golden Meditech Holdings Limited (801)	17 June 2020	n/a	41.94	60.00
		Maximum	62.50	120.39	135.50
		Minimum	(23.40)	(5.50)	3.30
		Average	29.96	35.71	56.01
		Median	34.84	28.57	52.09
	The Company		25.17	11.69	14.42

Notes:

1. The date of Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever earlier.
2. The premium/(discount) of offer/cancellation price over/to closing price per share on last trading day prior to the publication of the Rule 3.7 announcement (if applicable) in relation to the respective transaction.
3. The premium/(discount) of offer/cancellation price over/to closing price per share on last trading day prior to the publication of the Rule 3.5 announcement in relation to the respective transaction.
4. The premium/(discount) of offer/cancellation price over/to average closing price per share on the 30 trading days prior to the publication of the Rule 3.5 announcement (unless otherwise specified) in relation to the respective transaction.
5. For this Price Comparable, the enhanced share offer price of HK\$54.30 per H share, which is higher than the base share offer price of HK\$51.0571 per H share, has been applied. The comparison between the enhanced share offer price of this Price Comparable and the average closing prices of its H share for the last 30 consecutive full trading days prior to its Rule 3.7 announcement has been made.

As illustrated in the above:

- (i) the premium/(discount) of the offer/cancellation price over/to closing price per share on last trading day before the publication of the respective Rule 3.7 announcement (if applicable) of the Price Comparables ranged from a discount of approximately 23.40% to a premium of approximately 62.50% (the “**R3.7 Range**”) with an average of a premium of approximately 29.96% (the “**R3.7 Average**”) and a median of a premium of approximately 34.84% (the “**R3.7 Median**”), and the premium of the Offer Price over the closing price of H Share on the Last Trading Day of approximately 25.17% is within the R3.7 Range, close to the R3.7 Average and below the R3.7 Median;
- (ii) the premium/(discount) of the offer/cancellation price over/to closing price per share on last trading day before the publication of the respective Rule 3.5 announcement of the Price Comparables ranged from a discount of approximately 5.50% to a premium of approximately 120.39% (the “**R3.5 Range**”) with an average of a premium of approximately 35.71% (the “**R3.5 Average**”) and a median of a premium of approximately 28.57% (the “**R3.5 Median**”), and the premium of the Offer Price over the closing price of H Share on the last trading day prior to the publication of the Rule 3.5 Announcement of approximately 11.69% is within the R3.5 Range and below the R3.5 Average and the R3.5 Median; and

- (iii) the premium of the offer/cancellation price over average closing prices per share on last 30 trading days before the publication of the respective Rule 3.5 announcement of the Price Comparables ranged from approximately 3.30% to approximately 135.50% (the “**R3.5 30-Day Range**”) with an average of approximately 56.01% (the “**R3.5 30-Day Average**”) and a median of approximately 52.09% (the “**R3.5 30-Day Median**”), and the premium of the Offer Price over the average closing prices of H Share on the 30 consecutive trading days up to and including the last trading day prior to the publication of the Rule 3.5 Announcement of approximately 14.42% is within the R3.5 30-Day Range and below the R3.5 30-Day Average and the R3.5 30-Day Median. In addition, we noted that the premium of the Offer Price over the average closing prices of H Share on the 30 consecutive trading days up to and including the Last Trading Day was approximately 43.48%, which is within the R3.5 30-Day Range and closer to the R3.5 30-Day Average and the R3.5 30-Day Median. The discrepancy is mainly due to change in the closing price of the H Shares after the publication of the Rule 3.7 Announcement as discussed in the sub-section headed “Historical price performance of the H Shares”.

Having considered the above factors, we are of the view that the Offer Price is fair and reasonable so far as the Independent H Shareholders are concerned.

RECOMMENDATION

In relation to the Share Buy-back Offer and the Voluntary Withdrawal of Listing, taking into account the factors as discussed above, in particular:

- (i) the profitability of the Group had been noticeably affected by the outbreak of COVID-19 in the PRC during the year ended 31 December 2020 and the impact of the outbreak of COVID-19 in the PRC is uncertain and has not been resolved clearly;
- (ii) given the low trading liquidity of the H Shares during the Review Period, any disposal of a large number of the Shares by the Shareholders in the open market may have adverse impact on the price of the Shares;
- (iii) in response to the growing dairy and related products industry in the PRC, the PRC government and consumers are also gaining more attention to the healthy, quality and nutritional value of dairy products and the growing focus on food health and quality of dairy products calls for more stringent quality control over raw milk procurement and production, and we are of the view that the development of the dairy and related products industry in the PRC will be uncertain;

- (iv) the equity market in Hong Kong has been volatile during the HSI Review Period and formed a general downward trend from February 2021 up to the date of the Rule 3.5 Announcement, while the Share Buy-back Offer represents an opportunity to realise Independent H Shareholders' investments in the Company at a cash consideration which represents premiums over recent closing prices of H Share, it also allows the Independent H Shareholders to redeploy capital from accepting the Share Buy-back Offer into other investment opportunities that they may consider more attractive in the current market environment; and
- (v) as concluded in the sub-section headed "5. The Offer Price" above, the Offer Price is fair and reasonable so far as the Independent H Shareholders are concerned taking into account the following factors:
- (a) The Offer Price represents premiums over the recent closing price of the H Shares;
 - (b) The Offer Price remained higher than the closing price of the H Shares in all trading days during the Review Period;
 - (c) the Implied PER is above the PER Range;
 - (d) the Implied PBR is within the PBR Range, below the PBR Average and above the PBR Median;
 - (e) the premium of the Offer Price over the closing price of H Share on 17 December 2021 (being the Last Trading Day) of approximately 25.17% is within the R3.7 Range, close to the R3.7 Average and below the R3.7 Median;
 - (f) the premium of the Offer Price over the closing price of H Share on the last trading day prior to the publication of the Rule 3.5 Announcement of approximately 11.69% is within the R3.5 Range and below the R3.5 Average and the R3.5 Median; and
 - (g) the premium of the Offer Price over the average closing prices of H Share on the 30 consecutive trading days up to and including the last trading day prior to the publication of the Rule 3.5 Announcement of approximately 14.42% is within the R3.5 30-Day Range and below the R3.5 30-Day Average and the R3.5 30-Day Median. In addition, we noted that the premium of the Offer Price over the average closing prices of H Share on the 30 consecutive trading days up to and including the Last Trading Day was approximately 43.48%, which is within the R3.5 30-Day Range and closer to the R3.5 30-Day Average and the R3.5 30-Day Median. The discrepancy is mainly due to change in the closing price of the H Shares after the publication of the Rule 3.7 Announcement as discussed in the sub-section headed "Historical price performance of the H Shares",

we consider that the Share Buy-back Offer and the Voluntary Withdrawal of Listing are fair and reasonable and in the interest of the Independent H Shareholders. Accordingly, we recommend the Independent H Shareholders to accept the Share Buy-back Offer and vote in favour of the Share Buy-back Offer and the Voluntary Withdrawal of Listing resolution at the EGM and the H Shareholders Class Meeting.

The Company has no rights under the laws of the PRC and the articles of association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the Share Buy-back Offer. Accordingly, Independent H Shareholders are reminded that if they do not accept the Share Buy-back Offer, and if the Share Buy-back Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding unlisted H Shares and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the Listing Rules and may or may not continue to be subject to the Takeovers Code (depending on whether it remains as a public company in Hong Kong under the Takeovers Code) after the completion of the Share Buyback Offer, and the rights of Independent H Shareholders to certain information of the Company will be reduced.

Shareholders should also note that if they do not agree to the terms of the Share Buy-back Offer, they can vote against the Share Buy-back Offer and the Voluntary Withdrawal of Listing at the H Shareholders Class Meeting, A Shareholders Class Meeting and/or the EGM (as the case may be). If more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders are voted against the Share Buy-back Offer and the Voluntary Withdrawal of Listing at the H Shareholders Class Meeting, the Share Buy-back Offer would lapse and the H Shares would remain listed on the Stock Exchange.

LETTER FROM VEDA CAPITAL

Yours Faithfully,
For and on behalf of
Veda Capital Limited

A handwritten signature in black ink, appearing to read 'Julisa Fong', is written over a horizontal line that extends to the left across the page.

Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 25 years of experience in corporate finance industry.