

RAINBOW CAPITAL (HK) LIMITED
法博資本有限公司

31 October 2022

To the Independent Board Committee and the Independent Shareholders

As the Connected Participants include Directors and a deputy general manager who are connected persons of the Company, the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme constitutes a connected transaction of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. All Participants (including the Connected Participants) are required to abstain from voting on special resolutions in relation to the adoption of the Incentive Scheme at the EGM and Class Meetings. As at 30 September 2022, the Participants hold an aggregate of 20,088,539 A Shares, representing approximately 4.46% of the total issued A Shares and approximately 3.75% of the total issued Shares. To the best of the Directors' knowledge, information and belief, save as disclosed above, none of the Shareholders are required to abstain from voting at the EGM and the Class Meetings.

The Independent Board Committee, comprising all the four independent non-executive Directors, namely Mr. Sun Mingcheng, Dr. Zhai Yonggong, Mr. Ou Xiaojie and Mr. Zhang Fan, has been formed to advise the Independent Shareholders on whether (i) the Connected Grant is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Connected Grant are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are

true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We

acquisition of businesses and assets and strategic opportunities that are complementary to its growth strategies, particularly for those that can help the Group to enrich its services offerings at a global scale (collectively, the “Business Objectives”).

(ii) *Financial information of the Group*

Set out below is summary of the key consolidated financial information of the Group for (a) the three years ended 31 December 2021, as extracted from the annual reports of the Company for the two years ended 31 December 2021; and (b) the six months ended 30 June 2021 and 2022, as extracted from the 2022 Interim Report:

	For the six months ended 30 June		For the year ended 31 December		
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2021 RMB'000 (audited)	2020 RMB'000 (audited)	2019 RMB'000 (audited)
Revenue	776,881	534,556	1,516,680	1,075,905	639,379
Gross profit	377,942	268,571	735,678	550,625	328,786
Other gains and losses, net	120,412	32,592	113,441	31,720	43,066
Gains arising from changes in fair value of biological assets	131,321	37,764	125,323	54,732	–
Selling and marketing expenses	(8,184)	(7,253)	(15,973)	(12,907)	(12,473)
General and administrative expenses	(158,784)	(135,644)	(264,321)	(211,482)	(102,651)
Research and development expenses	(25,482)	(21,861)	(47,756)	(50,659)	(39,627)

Shareholders	371,120	153,735	557,460	312,950	187,838
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The revenue of the Group amounted to approximately RMB639.4 million, RMB1,075.9 million, RMB1,516.7 million, RMB534.6 million and RMB776.9 million for the year ended 31 December 2019 (“FY2019”), 2020

The gross profit of the Group increased from approximately RMB328.8 million in FY2019 to approximately RMB550.6 million in FY2020 and further increased to approximately RMB735.7 million in FY2021, which was in line with the increase in the Group's revenues over the years. For 6M2022, the

Group's gross profit was approximately RMB377.9 million, as compared to approximately RMB268.6 million for 6M2021, mainly driven by the increased gross profit of the Group's non-clinical studies services.

Profit attributable to the Shareholders increased by approximately 66.6% from approximately RMB187.8 million in FY2019 to approximately RMB313.0 million in FY2020 and further increased to approximately RMB478.1 million in FY2021, which was in line with the increase in the Group's revenues over the years. For 6M2022, the

2. Principle terms of the Connected Grant

Details of the principal terms of the Connected Grant are set out in Appendix I to the Circular, which are summarized below:

Participants : The Company proposed to grant 44,000 Restricted Shares to 4 Connected Participants, as follows:

Connected Participants	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares to be granted	Percentage to the total capital of the Company as at the Latest Practicable Date
Zuo Conglin	11,000	0.79%	0.002%
Gao Dapeng	11,000	0.79%	0.002%
Sun Yunxia	11,000	0.79%	0.002%
Gu Jingliang	11,000	0.79%	0.002%
Total	44,000	3.14%	0.008%

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Connected Participants set out above, the other Participants under the Incentive Scheme are independent of the Company and its connected persons.

Grant Price : A Connected Participant who has satisfied the conditions for grant and unlocking is entitled to purchase the Restricted Shares of the Company at the Grant Price.

As disclosed in the Letter from the Board, the Grant Price of RMB39.87 per Share shall not be lower than:

- (i) the nominal value of the Shares; and
- (ii) the higher of the following:
 - (a) 50% of the average trading price of the A Shares on the last trading day preceding the Announcement Date of Incentive Scheme (total trading amount for the last trading day/total trading volume for the last trading day) of RMB79.74 per Share, being RMB39.87 per Share, and

- (b) 50% of the average trading price of the A Shares for the last 120 trading days preceding the Announcement Date of Incentive Scheme (total trading amount of the A Shares for the last 120 trading days/total trading volume of the A Shares for the last 120 trading days) of RMB79.18 per Share, being RMB39.59 per Share.

Validity period : Commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

~~Unlocking~~ : ~~The unlocking period of the Restricted Shares~~

periods

under the Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares to the Participants, respectively.

Subject to the unlocking conditions having been satisfied, the Restricted Shares under the Connected Grant may be unlocked in three unlocking periods, as follows:

Unlocking arrangement	Unlocking period	Proportion of unlocking
First unlocking	Commence from the first	50%

Unlocking arrangement	Unlocking period	Proportion of unlocking
Third unlocking period	Commencing from the first trading day after the expiry of 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	20%

Unlocking conditions : Certain conditions have to be satisfied before the Restricted Shares granted can be unlocked which include, among others, (i) annual performance

and (ii) annual performance appraisal requirements at the Participant's individual level are achieved.

Δ Dividends to The number of Restricted Shares and the Grant Price

3. Information on the Connected Participants

As stated in the Letter from the Board, the Participants, including the

Connected Participants, are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the SSE Listing Rules, the Listing Rules and other relevant laws, regulations and regulatory documents, as well as provisions of the Articles of Association with reference to the actual situations of the Company.

We have reviewed the background and work experience of each of the Connected Participants and noted that their expertise and experience are relevant to

Name	Position in the Group	Duties or responsibilities	Past work experience related to the Connected Participants' respective functions in the Group	Educational background
Sun Yunxia	Executive Director and vice general manager	Responsible for overseeing the non-clinical operations of the Group	<ul style="list-style-type: none"> Worked as a food hygiene supervisor at Siping City Epidemic Prevention Station of Jilin Province Practiced as the chief physician at Peking University Shougang General Hospital Since October 1999: joined the Group and served as senior study director, director of toxicology department, director of quality assurance department, testing facility deputy manager, vice general manager and director over the years 	Master's degrees in medicine
Gu Jingliang	Vice general manager and head of sales department	Responsible for overseeing the sales and marketing management of the Group	<ul style="list-style-type: none"> Since January 2017: director at Wan Yinuo (Suzhou) Biotechnology Co., Ltd. and Suzhou Guangao Pharmaceutical Development Co., Ltd. Since April 2006: joined the Group and served as practice leader for drug efficacy, practice leader for toxicology, vice director and director of drug metabolism laboratory, vice general manager and head of sales department over the years 	Master of medicine degree in pharmacology

Source: the 2021 Annual Report

As stated in the table above, the Connected Participants include executive Directors and senior management of the Company. Zuo Conglin is responsible for the overseeing the operations and management of the Group while the other three Connected Participants are responsible for, among other things, the capital management, information disclosure, non-clinical operations and sales and marketing activities of the Group.

As stated in the section headed "1. Information on the Group – (i) Business of the Group" above, the Group's Business Objectives include (i) strengthening non-clinical service offerings and expanding facilities to solidify its market leadership in the drug safety assessment market; (ii) expanding global footprint and enhancing global service capabilities; (iii) broadening service offerings with a focus on clinical trial services through organic growth and cooperation with other clinical trial participants; (iv) attracting, training and retaining talents to support rapid growth in China and the United States; (v) expanding research model facilities to

strategic investments. Given that all the Connected Participants are playing

4. Reasons for and benefits of the grant of Restricted Shares under the Incentive Scheme

As stated in the section headed "3. Information on the Connected Participants" above, the Connected Participants' duties and performance would have significant impact on the Group's ability to achieve the Business Objectives. As such, we concur with the Directors that the grant of Restricted Shares could, among other things, (i) further establish and improve the Company's long-term incentive mechanism; (ii) attract and retain outstanding talents and fully mobilize the enthusiasm of the Company's employees; (iii) ensure the realization of the Company's development strategy and business objectives; and (iv) promote the long-term development of the Company.

In addition, we have conducted searches in relation to the adoption of restricted A share incentive scheme and we note that it is a common practice for companies listed on the Shanghai Stock Exchange to adopt restricted A share incentive scheme to motivate their directors, senior management and employees. As such, we consider the Incentive Scheme are in line with the market practice.

Having considered that (i) the Incentive Scheme can retain and motivate the Participants to make contribution to the Group through attainment of the performance targets under the Incentive Scheme; (ii) it is a common practice for companies listed on the Shanghai Stock Exchange to adopt restricted A share incentive scheme to motivate their directors, senior management and employees. As such, we consider the Incentive Scheme are in line with the market practice.

The listed issuers involved in implementing the Comparable Schemes have different principal activities, market capitalizations, profitability and financial positions as compared to those of the Company and the sizes of the

Schemes vary. However, we still consider the Comparable Schemes to be fair and representative in assessing the fairness and reasonableness of the terms of the Incentive Scheme (including the Connected Grant), after taking into account that (a) both the Incentive Scheme and the Comparable Schemes are regulated by the similar rules and regulation including but not limited to the Company Law, the Securities Law, the Administrative Measures and the SSE Listing Rules; (b) both the Incentive Scheme and the Comparable Schemes are announced during the same period and under similar market condition; (c) sufficient number of the Comparable Schemes are identified which could

The Comparable Schemes:

Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
72 months	50.00%	48.90%	Four tranches: 25%: 12 months to 24 months 25%: 24 months to 36 months 25%: 36 months to 48 months 25%: 48 months to 60 months	0.98%
36 months	52.20%	41.94%	Two tranches: 50%: 12 months to 24 months 50%: 24 months to 36 months	1.26%

Locking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
Three tranches: %: 24 months to 36 months %: 36 months to 48 months %: 48 months to 60 months	Yes	1.31%
Three tranches: %: 12 months to 24 months %: 24 months to 36 months %: 36 months to 48 months	Yes	0.75%
Three tranches: %: 12 months to 24 months %: 24 months to 36 months %: 36 months to 48 months	Yes	1.78%

Name (Company Name)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
Sany Industry Co., Ltd (600843.SS)	Primarily engaged in the research and development, manufacture, distribution and provision of services of engineering machinery	45 months	50.98%	51.57%	Two tranches: 50%: 20 months to 32 months 50%: 32 months to 44 months	Yes	0.34%
Chuangli Group Co., Ltd (600396.SS)	Primarily engaged in the design, research and development, manufacture, sales and technical services of comprehensive coal mining machines, coal mine automation control systems and mine electric equipment, as well as the provision of the model selection guide and design of mining equipment for customers	60 months	50.00%	51.54%	Three tranches: 40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	Yes	2.36%

Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
29 June 2022	瑞斯康達科技發展股份有限公司 Raisecom Technology Co., Ltd. (603803.SH)	Principally engaged in the research and development, manufacture and sales of communication network access products	54 months	50.06%	48.62%	Three tranches: 30%: 12 months to 24 months 40%: 24 months to 36 months 30%: 36 months to 48 months	Yes	3.56%
23 June 2022	山東玻纖集團股份有限公司 Shandong Fiberglass Group Co., Ltd (605006.SH)	Principally engaged in the research and development, production and sales of glass fiber and its products	72 months	50.00%	50.13%	Three tranches: 33%: 24 months to 36 months 33%: 36 months to 48 months 34%: 48 months to 60 months	Yes	2.32%
15 June 2022	廣東原尚物流股份有限公司 GuangDong GenSho Logistics Co., Ltd. (603813.SH)	Principally engaged in the provision of integrated logistics services	48 months	52.82%	50.00%	Three tranches: 50%: 12 months to 24 months 30%: 24 months to 36 months 20%: 36 months to 48 months	Yes	2.80%

Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
47.76%	Three tranches: 25%: 12 months to 24 months 35%: 24 months to 36 months 40%: 36 months to 48 months	Yes	9.51%
58.10%	Three tranches: 20%: 12 months to 24 months 30%: 24 months to 36 months 50%: 36 months to 48 months	Yes	2.67%
39.05%	Two tranches: 50%: 12 months to 24 months 50%: 24 months to 36 months	Yes	3.12%

Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
5 June 2022	金發科技股份有限公司 Kingfa Sci. & Tech. Co., Ltd. (600143.SH)	Principally engaged in the research, development, production and sales of new chemical materials	60 months	63.00%	50.15%	Three tranches: 30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	3.89%
31 May 2022	健民藥業集團股份有限公司 Jianmin Pharmaceutical Group Co., Ltd. (600976.SH) ("Jianmin Pharmaceutical")	Principally engaged in the research and development, manufacture, wholesale and retailing of pharmaceuticals	48 months	50.00%	34.62%	Two tranches: 50%: 12 months to 24 months 50%: 24 months to 36 months	Yes	0.24%
20 May 2022	通化葡萄酒股份有限公司 Tonghua Grape Wine Co., Ltd (600365.SH)	Principally engaged in the manufacture and e-commerce platform sales of wines	48 months	50.00%	48.32%	Three tranches: 40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	Yes	6.85%

percentage of grant price to the average trading price of the A shares the last 120 trading days preceding the date of the A Shares announcement

Unlocking period (unlocking percentage for each period following the grant date)

60.36%

Three tranches:
 40%: 12 months to 24 months
 30%: 24 months to 36 months
 30%: 36 months to 48 months

61.88%
 34.62%
 49.68%
 50.13%

50.35%

Three tranches:
 50%: 12 months to 24 months
 30%: 24 months to 36 months
 20%: 36 months to 48 months

Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company

3.08%

9.51%
 0.24%
 2.75%
 2.36%

0.262%

Validity period

The Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months. The validity period of the Incentive Scheme of 48 months is within the range of those of the Comparable Schemes.

Unlocking conditions

As disclosed in the Letter from the Board, certain conditions must be fulfilled before the Company can grant the Restricted Shares to the Participants under the Incentive Scheme, or the Restricted Shares granted to the Participants under the Incentive Scheme can be unlocked, for details, please refer to the sub-section headed "II. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme – (VIII) Conditions of Grant and Unlocking of the Restricted Shares" in the Letter from the Board.

As shown in the above table, it is a common practice to make the unlocking of restricted shares conditional on, amongst others, the participants' performance and/or financial performance of the companies. We are of the view that such arrangement could incentivize the Participants including the Connected Participants to put efforts on

achieving the performance targets, which will contribute to the growth and development of the Company.

The performance appraisal targets at the Company's level under the Incentive Scheme include the Company's operating income in the three accounting years from 2022 to 2024. In order for the Restricted Shares of the Participants to be fully unlocked (including the Connected Grant), based on the operating income for 2021, the Company's growth rate of operating income shall not be less than 35.00%, 82.25% and 146.04% for 2022, 2023 and 2024, respectively. The performance appraisal requirements at the individual level are, on the other hand, carried out based on an annual appraisal on the Participants by the

targets at the Company's level are still determined with a certain level of difficulty which require the Group to continue to grow at a relatively high rate with a view to motivating the Participants to attain before the Restricted Shares are unlocked.

Given that (a) we consider the difficulty in achieving the performance appraisal targets is able to motivate the Participants to contribute as much as possible so as to assist the Company in achieving the Business Objectives; and (b) the Independent Shareholders can benefit from the Share price performance if the Company is able to achieve the performance appraisal targets in the Incentive Scheme, we

Independent Shareholders are concerned.

Grant Price

The Grant Price shall be RMB39.87 per A Share, which represents (a) approximately 50.00% of the average trading price of the A shares for the last trading day preceding the date of the A Shares announcement of the Incentive Scheme; and (b) approximately 50.35% of the average trading price of the A Shares for the last 120 trading days preceding the date of A Shares announcement of the Incentive Scheme.

Regarding the Comparable Schemes, (a) the percentages of the grant price to the average trading price of the A Shares for the last trading day preceding the date of the A Shares announcement ranged from approximately 50.00% to approximately 62.00% with an average

Unlocking periods

The Restricted Shares (including the Connected Grant) are unlocked in three tranches in the proportion of 50%, 30% and 20%, respectively, commencing from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

As shown above, the restricted A shares under the Comparable Schemes were attributed in two to four tranches with unlocking periods commencing from the trading day after expiry of 12, 20 or 24 months following the grant date until the last trading day within 36, 44, 48 or 60

unlocking periods of the Restricted Shares (including the Connected Grant) are comparable to those under the Comparable Schemes.

Adjustments

The number of Restricted Shares and the Grant Price are subject to adjustments according to various situations including capitalization

Share price performance when the performance appraisal targets in the Incentive Scheme are fulfilled; and (c) the total amortized cost of the

accounted for approximately 0.16% of the net profit of the Group of approximately RMB557.5 million for FY2021, as explained in the sub-section headed "5. Assessment of the principal terms of the Connected Grant – (ii) Comparison of remuneration packages – (a) Remuneration packages of the Connected Participants" below, we are of the view that the number of the Restricted Shares to be granted to the Participants is fair and reasonable and the dilution effect on the shareholding interests of the existing Shareholders of Company will be

As set out in the table above, on the basis that the value of the Restricted Shares would be recognized on a straight-line basis in the year 2023 and 2024, the total amortized cost of the Restricted Shares on an annual basis for the Connected Grant amounts to approximately RMB0.9 million, accounting for approximately 0.16% of the net profit of the Group of approximately RMB557.5 million for FY2021. On this basis,

not be material.

In addition, on the basis that total emoluments of the Connected Participants (excluding the Connected Grant) would remain the same as the level for FY2021, the annual remunerations of the Connected Participants would range from approximately RMB1.3 million to approximately 2.6 million, being approximately 0.23% to 0.46% of the net profit of the Group of approximately RMB557.5 million for FY2021.

Among the 4 Connected Participants, taking into account the Connected Grant, (1) 2 are with annual remunerations of below RMB2 million; and (2) 2 are with annual remunerations of above RMB2 million but below RMB3 million.

(b) Remuneration packages of the Comparable Companies

The Company is principally engaged in biological technology-related businesses. Based on the closing price of H share and A Shares of HK\$47.25 and RMB79.71, respectively, and the total issued H shares and A Shares of 84,996,576 and 450,126,833, respectively, as at the Last Trading Day, the market capitalization of the Company amounts to approximately HK\$53.3 billion.

Set below is a summary of the remuneration packages of the executive directors of the Comparable Companies for FY2021:

Company	Stock Code	Market Capitalization as at the Last Trading Day (HK\$' million)	Range of total remunerations of executive directors (Note 1) (RMB'000)
Hangzhou Tigermed Consulting Co., Ltd.	3347	95,862	787 – 922
Genscript Biotech Corporation	1548	54,541	3,663 – 6,443 (Note 2)
Shanghai Junshi Biosciences Co., Ltd.	1877	50,623	10,722 – 38,369
Legend Biotech Ltd.	1801	10,415	20,267 and 127,050
RemeGen Co., Ltd.	9995	33,859	883 – 10,487
Zai Lab Ltd	9688	34,562	N/A (Note 3)
CanSino Biologics Inc.	6185	28,211	3,559 – 4,533
HUTCHMED (China) Limited	0013	17,067	1,142 – 24,335 (Note 2)
Akeso, Inc.	9926	20,312	3,386 – 139,284
InnoCare Pharma Limited	9969	17,306	2,040 and 29,413
Shanghai Haohai Biological Technology Co., Ltd.	6826	12,848	1,092 – 1,467
Legend Biopharma Co., Ltd.	2157	11,699	12,212 and 17,510

Although details with respect to each Comparable Company and its executive director(s) such as responsibilities, experience and year of service of each executive director as well as product type, stage of clinical development and commercialization and scale of each company


general reference for common market practice in determining the remuneration packages of executive directors of biotech companies.

As shown in the table above, the remuneration of the executive directors of the Comparable Companies ranged from approximately RMB787,000 to approximately RMB139.3 million for FY2021. The maximum total remuneration of the Connected Participants is approximately RMB2.6 million. Among the 12 Comparable Companies

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the Connected Grant are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Connected Grant is conducted in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favor of the special resolutions to be proposed at the EGM and the Class Meetings to approve the Connected Grant.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited


Danny Leung
Managing Director

Mr. Danny Leung is a licensed person under the Securities and Futures Ordinance (SFO) (Cap. 571) of the Hong Kong Government and is a director of Rainbow Capital (HK) Limited.