
LETTER FROM THE BOARD



China Boqi Environmental (Holding) Co., Ltd.

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(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2377)

Executive Directors:
Mr. Zeng Zhijun (Chairman)
Mr. Liu Genyu
Ms. Qian Xiaoning

Registered Office:
PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Non-executive Directors:
Mr. Cheng Liquan Richard
Mr. Zheng Tony Tuo
Mr. Zhu Weihang
Mr. Chen Xue

Headquarters and Principal Place of
Business in Hong Kong:
40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

Independent non-executive Directors:
Dr. Xie Guozhong
Mr. Li Tao
Prof. Yu Wayne W.
Ms. Zhang Fan

Headquarters in PRC:
9-10/F, CCT Center
No. 5 Laiguangying West Road
Chaoyang District
Beijing, the PRC

29 November 2024

To the Shareholders:

Dear Sir or Madam,

(1) CONDITIONAL VOLUNTARY CASH OFFER
BY CLSA LIMITED ON BEHALF OF
THE COMPANY TO BUY-BACK UP62 -1.2273P3f4,0H58(COM845(CenteN)-3625rdee S-

1. INTRODUCTION

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

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CITICS HK has been appointed as the financial adviser to the Company in respect of the Offer, and Gram Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee on the Offer and the Whitewash Waiver.

The purpose of this Offer Document is to provide you with, among other things, (i) further details of the Offer; (ii) the expected timetable relating to the Offer; (iii) the recommendation from the Independent Board Committee with respect to the Offer and the Whitewash Waiver; (iv) the advice of Gram Capital to the Independent Board Committee and the Independent Shareholders; (v) a notice convening the EGM; and (vi) the Form of Acceptance and information relating to the procedures required for the acceptance of the Offer.

2. THE OFFER

The number of Shares to be bought-back by CLSA Limited on behalf of the Company at the price of HK\$1.20 per Share will not exceed the Maximum Number, being 150,858,120 Shares, representing approximately 15.00% of the issued share capital of the Company as at the Latest Practicable Date.

The Offer will be made in full compliance with the Codes. The consideration for the Offer, being (a) a minimum of HK\$120,686,494.8 assuming only the Minimum Number of Shares has been tendered for acceptance; or (b) a maximum of HK\$181,029,744 assuming the Maximum Number of Shares has been tendered for acceptance, will be paid in cash and will be funded by internal resources of the Group.

3. THE OFFER PRICE

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

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

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

- (d) a premium of approximately 66.82% over HK\$0.72 which is the average closing price per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (e) a premium of approximately 69.97% over HK\$0.71 which is the average closing price per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day;
- (f) a premium of approximately 71.28% over HK\$0.70 which is the average closing price per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (g) a premium of approximately 36.36% over the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on 26 November 2024 (being the Latest Practicable Date);
- (h) a premium of approximately 36.67% over HK\$0.88 which is the average closing price per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Latest Practicable Date;
- (i) a premium of approximately 37.30% over HK\$0.87 which is the average closing price per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Latest Practicable Date;

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

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

4. CONFIRMATION OF FINANCIAL RESOURCES

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

5. CONDITIONS OF THE OFFER

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

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

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

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7. IMPLICATIONS UNDER THE CODES AND APPLICATION FOR WHITEWASH WAIVER

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

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

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

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

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

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

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

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Notes:

1. All percentages rounded to two decimal places. The percentage figures included in this table have been subject to rounding adjustments.
2. Mr. Zeng, the chairman of the Board, an executive Director and the chief executive officer, holds the entire issued share capital of Best Dawn and 47.2% of interests in Asia Environment. Therefore, Mr. Zeng is deemed to be interested in the Shares held by Best Dawn and Asia Environment under the SFO. The remaining 52.8% of interest in Asia Environment is held by Mr. Wang Rui, a longtime acquaintance of Mr. Zeng. Mr. Wang Rui is therefore deemed to be interested in the Shares held by Asia Environment under the SFO. Save for the Shares held by Asia Environment, Mr. Wang Rui does not hold or is not deemed to be interested in any other Shares as at the Latest Practicable Date.
3. Ms. Qian, an executive Director is entitled to receive up to (i) 1,576,000 Shares pursuant to the Pre-IPO Share Award Scheme, which are fully vested but not yet exercised and held by Trustee as at the Latest Practicable Date; and (ii) 3,270,000 Shares pursuant to the share option scheme adopted by the Company on 29 December 2020.
4. World Hero directly holds 168,134,580 Shares. Mr. Cheng, a non-executive Director, holds the entire issued share capital of World Hero. Therefore, Mr. Cheng is deemed to be interested in the Shares held by World Hero under the SFO. Mr. Cheng directly holds 400,000 Shares.
5. New Asia Limited ("New Asia") directly holds 152,170,529 Shares. The entire issued share capital of New Asia is held by Great Origin Ventures Limited ("Great Origin"), whose entire issued share capital is in turn held by Mr. Zhu, a non-executive Director. Therefore, Mr. Zhu is deemed to be interested in the Shares held by New Asia under the SFO.
6. China Petroleum & Chemical Corporation holds the entire issued share capital of Sinopec. Therefore, China Petroleum & Chemical Corporation is deemed to be interested in the Shares held by Sinopec under the SFO. China Petroleum & Chemical Corporation is a PRC state-owned company, whose H shares are listed on the Main Board (stock code: 386).
7. Trustee, the trustee of the Pre-IPO Share Award Scheme, held 9,051,500 Shares, representing approximately 0.90% of the total issued share capital of the Company as at the Latest Practicable Date, amongst which 1,576,000 Shares are to be used to satisfy the share awards granted to Ms. Qian, 4,204,250 Shares are to be used to satisfy the share awards granted to employees of the Group and the remaining 3,271,250 Shares are to be used to satisfy future grants of share awards under the Pre-IPO Share Award Scheme. Under the scheme rules of the Pre-IPO Share Award Scheme and relevant trust deed, Trustee shall not exercise the voting rights in respect of any Shares held under the Pre-IPO Share Award Scheme. Accordingly, such 9,051,500 Shares shall not be voted at the EGM. In accordance with the scheme rules of the Pre-IPO Share Award Scheme, the Board has instructed the Trustee not to accept the Offer. There has been no dealings in the securities of the Company by Trustee in the six months immediately prior to the Latest Practicable Date.
8. Based on the assumptions that (i) all Options have been exercised before completion of the Offer; and (ii) no Shares will be tendered for acceptance under the Offer.
9. CITICS HK is the financial adviser to the Company in respect of the Offer. Accordingly, the CITICS Group (except entities of the CITICS Group that are exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Company in relation to the Offer in accordance with Class (5) of the definition of "acting in concert" under the Takeovers Code.

As at the Latest Practicable Date, members of the CITICS Group (other than members of the CITICS Group acting in the capacity of exempt principal traders, exempt fund managers or Shares held on behalf of non-discretionary investment clients) did not hold any Shares.
10. As at the Latest Practicable Date, save as disclosed above, no other Director holds any Shares.
11. The percentage holding figures are subject to rounding adjustments and may or may not add up to 100%.

As at the Latest Practicable Date, save as disclosed above, none of the Company or parties acting concert with it or Mr. Zeng Concert Parties holds, owns, controls or has direction over any Shares, voting rights, rights over Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, voting rights, rights over Shares, or has entered into any outstanding derivatives in respect of securities in the Company.

9. INFORMATION ON THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which were listed on the Stock Exchange (stock code: 2377) on 16 March 2018. The Group provides comprehensive one-stop environmental protection and new energy+ services to large-scale industrial customers in energy, chemical and manufacturing industries, by mainly engaging in the businesses of flue gas treatment, water treatment, hazardous and solid waste treatment/disposal, dual-carbon new energy+ in China. As of 30 June 2024, the Group's projects have a wide coverage in China, covering 31 provinces, municipalities and autonomous regions in China.

As at the Latest Practicable Date, there are 1,005,720,799 Shares in issue. Save for the outstanding 6,538,500 share options granted under the share option scheme of the Company adopted on 29 December 2020, the Company does not have any outstanding derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or other types of equity interest as at the Latest Practicable Date.

The following table sets forth the revenue, net profit before taxation and profit after taxation attributable to owners of the Company as extracted from the consolidated audited financial statements of the Group for the two years ended 31 December 2022 and 2023 as set

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10. REASONS FOR AND BENEFITS OF THE OFFER

In considering to proceed with the Offer, the Company has taken into consideration the following:

- (i) The Offer will serve as a good opportunity to enhance the earnings per Share and the rate of return on capital of the Company

The total dividend paid by the Company for the year ended 31 December 2023 amounted to approximately HK\$35.20 million. Assuming that the Offer had taken place on 31 December 2023 and the Shares bought back under the Offer amount to the Maximum Number (and no Options will be exercised from the Latest Practicable Date up to and including the Final Closing Date), dividend yield ratio calculated by the closing price as at the trading day immediately preceding the Latest Practicable Date and the dividend payout remains unchanged, the dividend yield ratio of the Company would have increased from approximately 3.40% to approximately 4.00%.

- (ii) The Offer will result in an enhancement in the NAV per Share attributable to the owners of the Company

Assuming the Offer had taken place on 30 June 2024, the Shares bought back under the Offer amount to the Maximum Number and all Shares bought back under the Offer are to be cancelled, immediately upon the completion of the Offer and cancellation of the Shares bought back under the Offer, the number of issued Shares would decrease from 1,005,720,799 Shares to 854,862,679 Shares (assuming no Options will be exercised from the Latest Practicable Date up to and including the date of completion of the Offer). Based on such assumptions, the unaudited consolidated NAV attributable to the owners of the parent of the Company per Share as at 30 June 2024 would have increased from approximately RMB3.14 to approximately RMB3.50.

- (iii) The Offer will demonstrate the Group's confidence in future development

The Group has been recording satisfactory financial results recently. For the year ended 31 December 2023, the Group recorded revenue of approximately RMB2,138 million and net profit of approximately RMB237 million. For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB949 million and net profit of approximately RMB116 million. In the future, taking advantage of the favourable policies in the industry, the Group will continue to promote the expansion of various business segments in an orderly manner. As such, the management of the Company has been considering conducting share repurchases to demonstrate the Group's confidence in future development.

- (iv) The Offer provides the Shareholders an opportunity to either exit from their investment or enjoy the benefits of enhanced Shareholder value

The maximum Shares to be bought back under the Offer amounted to 150,858,120 Shares, which is comparable to the Company's yearly trading volume in 2022 or 2023.

The Directors believe that the Offer provides an opportunity for the Shareholders

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HK\$1,154,232,000 to approximately HK\$966,502,000 and the current ratio (computed from current assets divided by current liabilities) of the Group will decrease by approximately 6.24% from approximately 1.62 times to approximately 1.52 times.

Based on the above and having considered the funding of the Offer, the Company considers that there is no material adverse effect on the Group's net assets per Share, earnings per Share (basic and diluted), liabilities and working capital as a result of the Offer.

12. FURTHER INTENTION IN RELATION TO THE GROUP AND MR. ZENG CONCERT PARTIES

Completion of the Offer will not result in a change in the businesses of the Group or in the composition of the Board. The Company intend to continue with the existing businesses of the Group and do not intend to introduce any major changes to the businesses of the Group nor conduct any redeployment of the fixed assets of the Group. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of the Offer.

The Company is confident in the long-term prospects of the business of the Group. As at the Latest Practicable Date, the Company has a public float of approximately 28.54% of the entire issued share capital of the Company. In the event that the Offer becomes unconditional, upon completion of the Offer and assuming full acceptances of the Offer by the Shareholders (other than Mr. Zeng Concert Parties), it is expected that the Company will have a public float of 26.52% of the Shares in issue immediately following completion of the Offer (assuming there are no changes to issued share capital of the Company after the Latest Practicable Date) and accordingly the number of Shares in public hands will continue to meet the public float requirement under Rule 8.08 of the Listing Rules (being 25% of the Company's total number of issued Shares).

It is the intention of the Company and Mr. Zeng Concert Parties to continue with the existing businesses of the Group upon completion of the Offer. As at the Latest Practicable Date, the Company and Mr. Zeng Concert Parties do not intend to introduce any major changes to the existing operations and management structure of the Group, and the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed.

The Company has no intention to rely on sections 705, 711 to 716 and 718 to 721 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) or any comparable company law in the Cayman Islands in relation to right of compulsory acquisition of Shares held by minority Shareholders after the Offer.

13. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

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

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

14. EXTRAORDINARY GENERAL MEETING

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver, at which only Independent Shareholders can vote.

Mr. Zeng Concert Parties, including Best Dawn and Asia Environment, will abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver at the EGM. In addition, Trustee will not vote on the resolutions in respect of the Offer and the Whitewash Waiver at the EGM. As such, save for Mr. Zeng Concert Parties who are Shareholders (i.e. Best Dawn and Asia Environment as at the Latest Practicable Date) and Trustee, no Shareholder will abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver at the EGM.

The EGM will be convened at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC at 10:30 a.m. on Friday, 20 December 2024 for the Independent Shareholders to consider and, if thought fit, approve the resolutions in respect of the Offer and the Whitewash Waiver.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this Offer Document and a form of proxy for use at the EGM is also enclosed. Whether or not you intend

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The Independent Board Committee comprising the three non-executive Directors who are not interested in the Offer, namely Mr. Zheng Tony Tuo, Mr. Zhu and Mr. Chen Xue, and all of the four independent non-executive Directors, namely Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan, has been established to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver. Since Mr. Cheng Liquan Richard, the non-executive Director, has given the Irrevocable Undertakings in relation to, among others, voting in favour of the Offer and the Whitewash Waiver at the EGM, he is excluded from the Independent Board Committee.

Gram Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee on the Offer and the Whitewash Waiver.

WARNING:

Independent Shareholders should note that their decisions on how to vote on the resolutions to be proposed at the EGM to approve the Offer and the Whitewash Waiver shall not affect their decisions on whether to accept the Offer or not. Even if they vote in favour of or against the resolutions to be proposed at the EGM, they are free nonetheless to accept or not to accept the Offer.

15. RECOMMENDATION

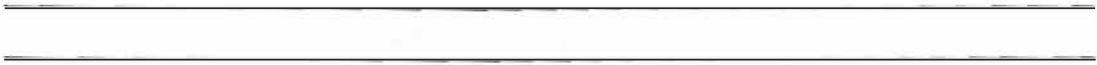
Your attention is drawn to the letter from the Independent Board Committee as set out on pages 36 to 37 of this Offer Document and to the letter from Gram Capital as set out on pages 38 to 58 of this Offer Document. The latter contains, among other things, the advice of Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver and the principal factors and reasons considered by it in arriving at such advice. Taking into account the letter from the Independent Board Committee and all other factors as stated under the section headed "Reasons for and benefits of the Offer" above as a whole, the Board is of the opinion that the terms of the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. The Board therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM approving the Offer and the Whitewash Waiver.

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16. ADDITIONAL INFORMATION

Your attention is also drawn to the terms of the Offer as set out in the letter from CLSA Limited on pages 23 to 35 and in Appendix I to this Offer Document, the financial information of the Group as set out in Appendix II to this Offer Document, the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, and the general information on the Group as set out in Appendix IV to this Offer Document.

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being satisfied in full or waived on or before the Long Stop Date and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and should consult their professional advisers when in doubt.



Handwritten signature or initials.