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ZOOMLION **中 联 重 科**

Zoomlion Heavy Industry Science and Technology Co., Ltd.*

中聯重科股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1157)

DISCLOSEABLE TRANSACTION SECOND DISPOSAL OF THE SALE SHARES AND ACQUISITION OF THE CONSIDERATION SHARES

THE SECOND DISPOSAL

Reference is made to the First Announcement and the Second Announcement.

On 17 July 2018, the Vendors and the Purchaser entered into the SPA in respect of the Transaction pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Total Sale Shares at the Total Consideration, which shall be settled by the Purchaser by way of issue of the Total Consideration Shares to the Vendors at the Issue Price.

As part of the Transaction, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at the Consideration, which shall be settled by the Purchaser by way of issue of the Consideration Shares to the Company at the Issue Price.

IMPLICATIONS UNDER THE LISTING RULES

The Second Disposal

One or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Second Disposal are more than 5% but less than 25%. Therefore, the Second Disposal alone constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. However, the Disposals involve the disposal of securities in one particular company (being the Target) and as such, are considered as a series of transactions and treated as if they were one transaction in accordance with Rule 14.22 of the Listing Rules.

The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposals as aggregated are more than 25% but less than 75%. Nonetheless, having regard to the fact that the Company had complied with the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of the First Disposal (being a major transaction of the Company), the Second Disposal would not be subject to reclassification by way of aggregation with the First Disposal. As such, the Second Disposal remains a discloseable transaction of the Company and is subject only to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Acquisition

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

WARNING

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Second Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

BACKGROUND

Reference is made to the First Announcement and the Second Announcement.

On 17 July 2018, the Vendors and the Purchaser entered into the SPA in respect of the Transaction pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Total Sale Shares at the Total Consideration, which shall be settled by the Purchaser by way of issue of the Total Consideration Shares to the Vendors at the Issue Price.

As part of the Transaction, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at the Consideration, which shall be settled by the Purchaser by way of issue of the Consideration Shares to the Company at the Issue Price.

THE TRANSACTION

The principal terms of the SPA are set out as follows:

Date

17 July 2018

Parties

- (1) the Vendors;
- (2) the Target; and
- (3) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors (other than the Company), the Purchaser and their respective ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

The Company (as a Vendor) has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares free of all encumbrances, pledges and third party rights, and not being the subject of any judicial freezing and seizure measure, or any material dispute, litigation or arbitration proceedings.

Consideration for the Sale Shares

The Total Consideration payable in respect of the Total Sale Shares shall be RMB15.25 billion (equivalent to approximately HK\$17.93 billion), which shall be settled by way of issue of the Total Consideration Shares by the Purchaser to the Vendors at the Issue Price.

The Consideration payable in respect of the Sale Shares shall be RMB3.05 billion (equivalent to approximately HK\$3.58 billion), being 20% of the Total Consideration (representing the Company's shareholding in the Target immediately prior to the Second Disposal), which shall be settled by way of issue of the Consideration Shares by the Purchaser to the Company at the Issue Price.

The Total Consideration was determined after arm's length negotiations between the Vendors (including the Company) and the Purchaser with reference to the Valuation Report. According to the Valuation Report, the Target Group is valued at RMB15.27 billion (equivalent to approximately HK\$17.95 billion) as at 30 April 2018. Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the Consideration and the terms of the SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Issue Price

The Total Consideration shall be settled by the Purchaser by way of issue of the Total Consideration Shares to the Vendors at the Issue Price of RMB7.64 per Total Consideration Share which represents no less than 90% of the market price of the Purchaser Shares, with reference to the average trading price of the Purchaser Shares as quoted on the Shenzhen Stock Exchange (being RMB8.57 per Purchaser Share) during the 120 trading days immediately preceding the Price Determination Date and as adjusted by the ex-rights/ex-dividend price of the Purchaser Shares, taking into account the amount of cash dividend approved at the Purchaser's 2017 annual general meeting.

If the Purchaser declares an ex-rights or ex-dividend event during the period between the Price Determination Date and the date of issue of the Total Consideration Shares, the Issue Price and the number of the Total Consideration Shares (and therefore, the number of the Consideration Shares) shall be adjusted in accordance with the terms of the SPA.

The Issue Price was arrived at after arm's length negotiations between the Purchaser and the Vendors (including the Company) with reference to the market price of the Purchaser Shares and the current market conditions. As such, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Number of the Consideration Shares

The number of the Total Consideration Shares to be issued by the Purchaser to the Vendors shall be calculated based on the Total Consideration divided by the Issue Price (rounded down to the nearest whole number). Based on the Issue Price of RMB7.64 per Total Consideration Share, (i) the number of the Total Consideration Shares to be issued by the Purchaser to the Vendors shall be 1,996,073,294 Purchaser Shares and (ii) the number of the Consideration Shares to be issued by the Purchaser to the Company shall be 399,214,659 Purchaser Shares, representing approximately 12.62% of the enlarged share capital of the Purchaser upon Completion.

If the Purchaser declares an ex-rights or ex-dividend event during the period between the Price Determination Date and the date of issue of the Total Consideration Shares, the Issue Price and the number of the Total Consideration Shares (and therefore, the number of the Consideration Shares) shall be adjusted in accordance with the terms of the SPA.

Lock-up period

The Company has agreed that no Consideration Shares shall be transferred to any third party within 12 months from the date of Completion.

Conditions precedent

Completion is subject to the satisfaction of the following conditions precedent:

- (a) the Transaction being approved at the Purchaser's general meeting;
- (b) the Transaction being approved at the Target's general meeting; and
- (c) the Transaction being approved by the CSRC.

Implementation of the Second Disposal

Within 60 days of the approval of the Transaction by the CSRC, the Purchaser and the Vendors shall cooperate and coordinate with each other to complete the formalities for the transfer of the Total Sale Shares.

Upon Completion, the Purchaser shall engage a qualified intermediary to conduct capital verification on, and issue a report regarding, the respective contributions to be made by the Vendors in respect of the Total Consideration Shares. The Purchaser shall register the new Purchaser Shares so issued in each respective Vendor's name in a timely manner.

OTHER ARRANGEMENTS IN CONNECTION WITH THE TRANSACTION

In connection with the Transaction, the Purchaser and the Vendors entered into a profit compensation agreement (盈利補償協定) (the “**Compensation Agreement**”) on 17 July 2018, pursuant to which the Vendors have conditionally agreed that if the actual accumulated net profit (the “**Actual Net Profit**”) of the Target for the three consecutive financial years ended 2018, 2019 and 2020 (the “**Relevant Period**”) as valued and reported on by the Independent Valuer (the “**Audit Report**”) is less than RMB3.72 billion (the “**Guaranteed Net Profit**”), they shall compensate the Purchaser in accordance with the terms of the Compensation Agreement (the “**Compensation Mechanism**”).

Share Repurchase

If the Actual Net Profit of the Target during the Relevant Period is less than the Guaranteed Net Profit, the Purchaser shall be entitled to repurchase and cancel such number of the Total Consideration Shares to be calculated as follows, at a total consideration of RMB1.00 (the “**Share Repurchase**”):

$$\frac{\text{Guaranteed Net Profit} - \text{Actual Net Profit}}{\text{Guaranteed Net Profit}} \times \text{Total Consideration} = \text{value of compensation (“Compensable Value”)}$$

$$\frac{\text{Guaranteed Net Profit} - \text{Actual Net Profit}}{\text{Guaranteed Net Profit}} \times \frac{\text{Total Consideration Shares}}{\text{Total Consideration Shares}} = \text{number of the Purchaser Shares subject to the Share Repurchase}$$

$$\text{Number of Purchaser Shares subject to the Share Repurchase} \times \text{Issue Price} = \text{value of the Share Repurchase (the “Share Repurchase Value”)}$$

Cash Compensation

If the Share Repurchase fails to compensate the Purchaser in full, the Vendors shall pay the Purchaser such amount of cash (the “**Cash Compensation**”) based on the Compensable Value minus the Share Repurchase Value.

Upon expiry of the Relevant Period, the Purchaser shall engage an auditor to carry out and issue a report relating to an impairment assessment on the Target's assets, applying the same accounting methods as adopted in the Valuation Report unless required otherwise by laws and regulations. If, at the end of the Relevant Period, impairment of the Total Sale Shares is greater than the sum of the Share Repurchase Value and the Cash Compensation, the Vendors shall further compensate the Purchaser for such impairment by way of cash payment.

Compensation split and priority

Notwithstanding the foregoing, the Company's obligation to compensate the Purchaser is subject to the following: if the Compensation Mechanism is triggered, (i) Ningbo Infore Asset Management, Ningbo Yintai, Ningbo Zhongfeng and Ningbo Liantai (collectively, the "**First Target Shareholders**") shall first compensate the Purchaser in proportion to their respective shareholdings in the Target immediately prior to the Transaction and (ii) if such compensation is inadequate (the "**Deficit**"), the Company, Hony Investment, Guangzhou Yuemintou and Shanghai Lulian (collectively, the "**Second Target Shareholders**", and together with the First Target Shareholders, the "**Target Shareholders**") shall compensate the Purchaser for the Deficit in proportion to their respective shareholdings in the Target immediately prior to the Transaction.

If any Target Shareholder disposes of its Purchaser Shares following Completion, or otherwise reduces its shareholding in the Purchaser due to judicial enforcement or like reasons, any compensation to be made under the Compensation Mechanism shall equal to such number of the Purchaser Shares so sold or reduced (as the case may be) multiplied by the Issue Price, and the Company's obligation to compensate the Purchaser shall be limited to the value of the Consideration.

If there is a Deficit, the Company (as a Second Target Shareholder) shall compensate the Purchaser in the following manner:

$$\frac{\text{Number of the Consideration Shares}}{\text{Total number of the Purchaser Shares acquired by the Second Target Shareholders pursuant to the Transaction}} \times \text{the Deficit}$$

Any compensation payable under the Compensation Mechanism shall be first settled in full by the First Target Shareholders within 30 working days from the issuance of the Audit Report (the "**Settlement Date**"), and any Deficit shall be paid by the Second Target Shareholders within 50 working days from the Settlement Date.

Cash dividends

If the Compensation Mechanism is triggered and any cash dividend was paid or declared during the Relevant Period, any such dividend distributed, declared on or accruing to the Total Consideration Shares shall be returned to the Purchaser at nil consideration.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the PRC with limited liability and is principally engaged in the research, development, manufacturing and sale of environmental sanitation equipment and supply of environmental solutions.

According to the Valuation Report, the consolidated pro forma financial information of the Target Group for the two financial years ended 31 December 2016 and 31 December 2017 and four months ended 30 April 2018 is as follows:

	Year ended 31 December 2016	Year ended 31 December 2017	Period ended 30 April 2018
	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Results

Turnover	5,606,714.11	6,426,740.08	1,871,683.53
Profit before tax	889,801.30	906,203.07	251,602.86
Profit after tax	755,498.92	758,953.14	208,258.61

	As at 31 December 2017	As at 30 April 2018
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>

Assets and liabilities

Total assets	9,752,009.04	11,514,659.36
Net assets	3,508,671.05	3,148,929.66

INFORMATION ON THE PURCHASER GROUP

The Purchaser is a company incorporated in the PRC with limited liability and listed on the Shenzhen Stock Exchange (Stock Code: 000967). It is principally engaged in the supply of advanced equipment manufacturing and environment integrated service in China.

The consolidated financial information of the Purchaser Group for the two financial years ended 31 December 2016 and 31 December 2017 is as follows:

	Year ended 31 December 2016	Year ended 31 December 2017
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>

Results

Turnover	3,407,198.36	4,898,389.00
Profit before tax	296,549.39	410,416.46
Profit after tax	244,010.28	353,046.73

As at
31 December 2017
(Audited)
RMB'000

Assets and liabilities

Total assets	9,752,009.04
Net assets	3,508,671.05

GENERAL INFORMATION ON THE PARTIES

The Company is a joint stock company incorporated with limited liability in the PRC. The Company is principally engaged in the research, development, manufacturing and sale of construction machinery and agricultural machinery, as well as financial services such as finance leasing.

Ningbo Infore Asset Management is a company incorporated with limited liability in the PRC and is principally engaged in asset management, industrial investment and investment management.

Each of Ningbo Yintai, Ningbo Zhongfeng and Ningbo Liantai is a limited partnership established under the laws of the PRC and is principally engaged in industrial investment, investment management, investment consultation and asset management.

Hony Investment is a limited partnership established under the laws of the PRC and is principally engaged in investment management, equity investment and investment consultation.

Guangzhou Yuemintou is a limited partnership established under the laws of the PRC and is principally engaged in corporate equity fund investment, investment management service, equity investment and venture capital investment.

Shanghai Lulian is a limited partnership established under the laws of the PRC and is principally engaged in equity investment management and equity investment.

FINANCIAL IMPACT OF THE SECOND DISPOSAL

As the Consideration shall be settled by the Consideration Shares to be issued by the Purchaser to the Company, no cash will be received by the Group as a result of the Second Disposal.

REASONS FOR AND BENEFITS OF THE SECOND DISPOSAL AND THE ACQUISITION

Upon Completion, the Company shall hold approximately 12.62% equity interest in the enlarged share capital of the Purchaser, allowing it to continue to capitalise on the continued development of the Target and the Purchaser's businesses, and improve the liquidity of its equity investment.

The Target's business shall be fully injected into the Purchaser upon Completion and linked up with the capital market. As such, the prospective financing channels of the Target shall be broadened and the share incentive scheme of the management of the Target shall be enhanced, providing a development platform for the Target to further strengthen and expand its business, benefit of which shall be enjoyed by the Company through its indirect shareholding in the Target.

In light of the reasons above, the Directors (including the independent non-executive Directors) are of the view that the terms of the SPA are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Second Disposal

One or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Second Disposal are more than 5% but less than 25%. Therefore, the Second Disposal alone constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. However, the Disposals involve the disposal of securities in one particular company (being the Target) and as such, are considered as a series of transactions and treated as if they were one transaction in accordance with Rule 14.22 of the Listing Rules.

The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposals as aggregated are more than 25% but less than 75%. Nonetheless, having regard to the fact that the Company had complied with the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of the First Disposal (being a major transaction of the Company), the Second Disposal would not be subject to reclassification by way of aggregation with the First Disposal. As such, the Second Disposal remains a discloseable transaction of the Company and is subject only to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Acquisition

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

WARNING

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Second Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange in the PRC
“Acquisition”	the acquisition of the Consideration Shares by the Company pursuant to the SPA
“Board”	the board of Directors
“Company”	Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) (Stock Code: 1157), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange
“Completion”	completion of the Transaction
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB3.06 billion (equivalent to approximately HK\$3.60 billion), being the consideration payable for the Sale Shares
“Consideration Shares”	the Purchaser Shares to be issued by the Purchaser to the Company pursuant to the SPA in respect of the Second Disposal
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Disposals”	the First Disposal and the Second Disposal
“First Announcement”	the Company’s announcement dated 21 May 2017 in respect of the First Disposal (as supplemented by the Company’s announcement dated 31 May 2017)
“First Disposal”	the disposal by the Company of 80% of the equity interest in the Target, the details of which are set out in the First Announcement
“Group”	the Company and its subsidiaries

“Guangzhou Yuemintou”	Guangzhou Yuemintou Yinglian Investment Partnership (Limited Partnership)* (廣州粵民投盈聯投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“H Share(s)”	the overseas listed foreign shares of nominal value of RMB1.00 each in the share capital of the Company
“Hony Investment”	Hony (Shenzhen) Investment Centre (Limited Partnership)* (弘創(深圳)投資中心(有限合夥)), a limited liability partnership established under the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), which to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Independent Valuer”	Zhong Rui International Assets Appraisal (Beijing) Limited
“Issue Price”	the issue price of RMB7.64 per Total Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Infore”	Ningbo Infore Asset Management Co. Ltd.* (寧波盈峰資產管理有限公司), a company incorporated in the PRC with limited liability
“Ningbo Liantai”	Ningbo Liantai Investment Partnership (Limited Partnership)* (寧波聯太投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“Ningbo Yintai”	Ningbo Yintai Investment Partnership (Limited Partnership)* (寧波盈太投資合夥企業(有限合夥)), a limited partnership incorporated established under the laws of the PRC
“Ningbo Zhongfeng”	Ningbo Zhongfeng Investment Partnership (Limited Partnership)* (寧波中峰投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Price Determination Date”	17 July 2018

“Purchaser”	Infore Environment Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司), a company incorporated in the PRC with limited liability and listed on the Shenzhen Stock Exchange (Stock Code: 000967)
“Purchaser Group”	the Purchaser and its subsidiaries
“Purchaser Shares”	ordinary share(s) of the Purchaser with a nominal value of RMB1.00 per share
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	20% equity interest in the Target held by the Company
“Second Announcement”	the Company’s announcement dated 18 May 2018 in respect of its entering into of a non-legally binding memorandum of understanding relating to the Second Disposal
“Second Disposal”	the disposal of the Sale Shares by the Company to the Purchaser
“Shanghai Lulian”	Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership* (上海綠聯君和產業併購股權投資基金合夥企業), a limited partnership established under the laws of the PRC
“Share(s)”	collectively, A Share(s) and H Share(s), or where the context requires, either of them
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the sale and purchase agreement (發行股份購買資產協議) dated 17 July 2018 entered into between the Vendors, the Target and the Purchaser in respect of the Transaction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target”	Changsha Zoomlion Environmental Industry Co., Ltd.* (長沙中聯重科環境產業有限公司), a company incorporated in the PRC with limited liability
“Target Group”	the Target and its subsidiaries
“Total Consideration”	RMB15.25 billion (equivalent to approximately HK\$17.92 billion), being the consideration payable for the Total Sale Shares

“Total Consideration Shares”	the Purchaser Shares to be issued by the Purchaser to the Vendors pursuant to the SPA in respect of the transaction
“Total Sale Shares”	100% equity interest in the Target held by the Vendors in aggregate
“Transaction”	the disposal of the Total Sale Shares by the Vendors to the Purchaser
“Valuation Report”	the Asset Valuation Report on All Equity Interest of Changsha Zoomlion Environmental Industry Co., Ltd. to be Purchased by Infore Environment Technology Group Co., Ltd Settled by way of Share Issue (盈峰環境科技集團股份有限公司擬發行股份購買資產所涉及的長沙中聯重科環境產業有限公司股東全部權益價值專案資產評估報告) (Ref: Zhongrui Pingbaozi No. 000493 [2018]) issued by the Independent Valuer, in relation to its valuation of the entire issued share capital of the Target as at 30 April 2018
“Vendors”	Ningbo Infore, Ningbo Yintai, Ningbo Zhongfeng, Ningbo Liantai, Hony Investment, Guangzhou Yuemintou, Shanghai Lulian and the Company
“%”	per cent.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.85058 to HK\$1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

By Order of the Board
Zoomlion Heavy Industry Science and Technology Co., Ltd.*
Zhan Chunxin
Chairman

Changsha, the PRC, 17 July 2018

As at the date of this announcement, the executive director of the Company is Dr. Zhan Chunxin; the non-executive directors are Mr. Hu Xinbao and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo.

* For identification purpose only