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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in **IRICO Group New Energy Company Limited***, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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IRICO

彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED DISPOSAL OF 90% EQUITY INTEREST IN KUNSHAN IRICO**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 1 to 7 of this circular. A letter from the Independent Board Committee is set out on pages 8 to 9 of this circular. A letter from Octal Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 21 of this circular.

The EGM will be held at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC at 9:00 a.m., on Thursday, 27 April 2017. Please refer to the notice of the EGM dated 10 March 2017 published on the Stock Exchange's website and the Company's website.

3 April 2017

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Beijing Pan-China”	Beijing Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司), an independent valuer qualified in the PRC
“Board”	the board of Directors
“CEC”	China Electronics Corporation* (中國電子信息產業集團有限公司), a wholly state-owned company incorporated in the PRC and the ultimate controlling Shareholder holding approximately 71.74% of the issued share capital of the Company through IRICO Group as at the Latest Practicable Date
“Company”	IRICO Group New Energy Company Limited* (彩虹集團新能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Thursday, 27 April 2017 to consider and, if thought fit, to approve, among other things, the Proposed Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 28 February 2017 which the Company and IRICO Shadow Mask entered into with Zhongdian IRICO in relation to the Proposed Disposal
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng who are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Proposed Disposal

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than CEC and its associates (including IRICO Group and its associates) who will abstain from voting on the relevant resolutions in relation to the Proposed Disposal at the EGM
“IRICO Group”	IRICO Group Corporation* (彩虹集團公司), a wholly state-owned enterprise and the controlling Shareholder of the Company directly holding approximately 71.74% of the issued share capital of the Company as at the Latest Practicable Date
“IRICO Shadow Mask”	Xianyang IRICO Electronics Shadow Mask Co., Ltd.* (咸陽彩虹電子網版有限公司), a limited liability company incorporated in the PRC, which is directly and indirectly held as to 100% by the Company as at the Latest Practicable Date
“Kunshan IRICO”	Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company, which is held as to 80% by the Company and 10% by IRICO Shadow Mask as at the Latest Practicable Date
“Latest Practicable Date”	28 March 2017, being the latest practicable date for ascertaining certain information included herein before the printing of this circular
“Long Stop Date”	30 May 2017
“Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Equity Transfer Agreement in relation to the Proposed Disposal
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Proposed Disposal”	the proposed disposal of 80% equity interest and 10% equity interest in Kunshan IRICO by the Company and IRICO Shadow Mask to Zhongdian IRICO, respectively, pursuant to the Equity Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongdian IRICO”	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), which is directly held as to 72.08% by CEC and 27.92% by IRICO Group as at the Latest Practicable Date and a connected person of the Company
“%”	per cent

The English names of the PRC entities adopted in this circular marked “” are translations from their Chinese names for identification purpose only.*

LETTER FROM THE BOARD



IRICO

彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

Directors:

Executive Directors

Si Yuncong (*Chairman*)

Zou Changfu

Non-executive Directors

Huang Mingyan

Chen Changqing

Independent non-executive Directors

Feng Bing

Wang Jialu

Wang Zhicheng

**Legal address and the head office
in the PRC:**

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Xianyang, Shaanxi Province

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Postal code: 712021

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**Hong Kong share registrar and
transfer office:**

Computershare Hong Kong

Investor Services Limited

Rooms 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

3 April 2017

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED DISPOSAL OF 90% EQUITY INTEREST IN KUNSHAN IRICO**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 28 February 2017 in relation to the Proposed Disposal.

LETTER FROM THE BOARD

On 28 February 2017, the Company and IRICO Shadow Mask entered into the Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Zhongdian IRICO agreed to acquire, 90% equity interest in Kunshan IRICO at a cash consideration of approximately RMB71,439,750. Upon completion of the Proposed Disposal, the Company will cease to have any interest in Kunshan IRICO. As such, Kunshan IRICO will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

The purpose of this circular is to provide Shareholders with the following information, so that the Shareholders can make properly informed decisions on such resolutions at the EGM:

- (i) details of the Proposed Disposal under the Equity Transfer Agreement;
- (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders;
- (iii) a letter from Octal Capital containing its advice to the Independent Board Committee and the Independent Shareholders; and
- (iv) a summary of valuation report of Kunshan IRICO.

II. PROPOSED DISPOSAL

The main contents of the Equity Transfer Agreement are set out as follows:

Date: 28 February 2017

Parties:

- (1) the Company and IRICO Shadow Mask, as the vendors
- (2) Zhongdian IRICO, as the purchaser

Assets to be disposed of: Subject to the terms and conditions of the Equity Transfer Agreement, the Company agreed to sell and Zhongdian IRICO agreed to acquire 80% equity interest in Kunshan IRICO; and IRICO Shadow Mask agreed to sell and Zhongdian IRICO agreed to acquire 10% equity interest in Kunshan IRICO.

LETTER FROM THE BOARD

Consideration: Pursuant to the Equity Transfer Agreement, the consideration for the Proposed Disposal is approximately RMB71,439,750.

The consideration was determined based on arm's length negotiations between the Company and Zhongdian IRICO with reference to the appraised net assets value of Kunshan IRICO as at 31 May 2016 (i.e., the valuation date) of approximately RMB79,377,500 as set out in the assets valuation report prepared by an independent and duly qualified PRC valuer using the asset-based approach, the summary of which can be found in Appendix I to this circular.

Payment: The consideration shall be paid in a lump sum in cash by Zhongdian IRICO to the bank account designated by the Company and IRICO Shadow Mask within forty-five days from the effective date of the Equity Transfer Agreement.

The Company and IRICO Shadow Mask shall cooperate with Zhongdian IRICO in relation to filing for the registration of change in equity interest in Kunshan IRICO with the industry and commerce administration authority within forty-five business days from the effective date of the Equity Transfer Agreement.

Conditions precedent: The Equity Transfer Agreement shall be concluded upon duly signed and executed by all parties and shall become effective upon fulfilment of the following conditions and none of these conditions can be waived:

- (i) the assets valuation report of the Proposed Disposal having been filed with and approved by the ultimate controlling Shareholder of the Company (namely CEC); and
- (ii) the Company having obtained the Independent Shareholders' approval for the Proposed Disposal at the EGM.

LETTER FROM THE BOARD

If any of the conditions precedent is not fulfilled on or before the Long Stop Date or such later date as may be agreed between the parties, the Equity Transfer Agreement shall cease to have any force and effect, and the parties shall be released from all rights and obligations relating to the Equity Transfer Agreement, save for any antecedent breach thereof.

As at the Latest Practicable Date, the assets valuation report of Kunshan IRICO has been filed with and approved by CEC. Thus, if the resolutions regarding the Proposed Disposal could be approved by the Independent Shareholders at the EGM to be held on 27 April 2017, all the conditions precedent described above are expected to be fulfilled on the same day.

III. GENERAL INFORMATION

(i) **The Company**

The Company is principally engaged in the construction and operation of solar power plants; the research, development, production and sales of solar photovoltaic glass, solar cell modules and relevant products, upstream materials of lithium battery and materials relevant to flat panel display; and the processing of quartz sand, an upstream material for photovoltaic glass.

(ii) **IRICO Shadow Mask**

IRICO Shadow Mask is a wholly-owned subsidiary of the Company, and is principally engaged in the research and development, design and manufacturing of the flat shadow mask and the coordinating products for CPTs.

(iii) **Zhongdian IRICO**

Zhongdian IRICO is principally engaged in the research, development, service and transfer of electronic information technology, industrial investment and assets operation management service, property investment and property operation management service.

LETTER FROM THE BOARD

(iv) Kunshan IRICO

Kunshan IRICO is principally engaged in the manufacturing and processing of the rubbers used for the electronic accessories, rubbers accessories for the metal products and other rubber accessories.

The audited net assets value of Kunshan IRICO as at 31 December 2016 was RMB52,884,592.36. The audited net losses of Kunshan IRICO before and after taxation for the year ended 31 December 2016 were RMB2,167,024.39 and RMB2,167,024.39, respectively. The audited net losses of Kunshan IRICO before and after taxation for the year ended 31 December 2015 were RMB7,488,385.29 and RMB7,488,385.29, respectively.

The financial data in relation to Kunshan IRICO as disclosed in this circular were prepared in accordance with Hong Kong Financial Reporting Standards.

IV. REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The principal businesses of the Company are new energy related businesses, including solar photovoltaic glass, operation of solar power plants, upstream materials of lithium battery. The principal businesses of Kunshan IRICO were the manufacturing and processing of the rubbers used for the electronic accessories, rubbers accessories for the metal products and other rubber accessories, which did not align with those of the Company.

Kunshan IRICO ceased production as at 31 December 2015. For the year ended 31 December 2016, Kunshan IRICO recorded losses. Thus, the Proposed Disposal will better clarify the industrial direction of the Company, give more prominence to its principal businesses, reduce operating losses, improve the Group's results in operation, increase its working capitals and reduce its gearing ratio, so as to optimize the assets structure of the Company and allow the Company to focus on developing and enhancing its core businesses in relation to new energy.

The Company expects to recognize a gain from the Proposed Disposal of approximately RMB24,000,000, which is calculated based on the proceeds from the Proposed Disposal less 90% of the carrying amount of the audited net assets value of Kunshan IRICO as at 31 December 2016 prepared in accordance with Hong Kong Financial Reporting Standards.

LETTER FROM THE BOARD

The proceeds from the Proposed Disposal will be used to supplement the Company's working capital and develop the Company's new energy businesses in relation to, among others, the Yan'an Photovoltaic Glass Project (namely an investment project in Yan'an City in relation to construction of oxygen-fuel combustion furnace for photovoltaic glass and ancillary production lines with a melting capacity of 800–850 tons per day), and the continued and expanded construction project of Hefei Photovoltaic Glass Project Phase II (namely an investment project in Hefei City in relation to construction of oxygen-fuel combustion furnace for photovoltaic glass and ancillary production lines with a melting capacity of 800–850 tons per day).

V. IMPLICATIONS UNDER THE LISTING RULES

As at the Last Practicable Date, Zhongdian IRICO, which is directly held as to 72.08% by CEC and 27.92% by IRICO Group, is an associate of CEC and IRICO Group and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Proposed Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As set out in the announcements of the Company dated 9 May 2016 and 28 December 2016, the Company has transferred to Zhongdian IRICO 60% equity interest in Xianyang IRICO Electronic Accessories Co., Ltd.* (“**IRICO Accessories**”) at a cash consideration of RMB45,945,900 and the relevant assets of the operation department of special railway lines (“**Special Railway Lines**”) at a cash consideration of approximately RMB4,657,900, respectively. Pursuant to Rule 14A.81 of the Listing Rules, the previous transactions mentioned above have been aggregated with the Proposed Disposal.

As the highest applicable percentage ratio of the Proposed Disposal (as aggregated as aforesaid) exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Certain Directors, namely, Mr. Si Yuncong and Mr. Huang Mingyan, by virtue of their respective senior positions in IRICO Group which held 27.92% equity interest in Zhongdian IRICO as at the Last Practicable Date, may be considered as having a material interest in the Proposed Disposal. As such, they have abstained from voting on the Board resolution approving the Equity Transfer Agreement and the Proposed Disposal contemplated thereunder. Save as mentioned above, none of the other Directors has a material interest in the Proposed Disposal and thus no other Director has abstained from voting on such Board resolutions.

LETTER FROM THE BOARD

CEC and its associates (including IRICO Group and its associates), holding approximately 71.74% of the issued share capital of the Company as at the Last Practicable Date, will be required to abstain from voting on the resolution approving the Proposed Disposal at the EGM. Save as mentioned above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has any material interest in the Proposed Disposal and therefore will be required to abstain from voting to approve the resolutions regarding the Proposed Disposal at the EGM.

VI. RECOMMENDATION

Based on the relevant information disclosed herein, the Directors, including the independent non-executive Directors, believe that the terms of the Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable, and the Proposed Disposal under the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, but is not in the ordinary or usual course of business of the Company due to the nature of such transaction. Accordingly, the Board recommends that the Independent Shareholders vote in favor of the resolutions at the EGM.

VII. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out in pages 8 to 9, the letter from Octal Capital set out in pages 10 to 21 and the other information set out in the appendices to this circular.

By order of the Board
IRICO Group New Energy Company Limited*
Si Yuncong
Chairman

* *For identification purpose only*



IRICO

彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

Legal address and the head office in the PRC:

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Computershare Hong Kong
Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Hong Kong

3 April 2017

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED DISPOSAL OF 90% EQUITY INTEREST IN KUNSHAN IRICO**

We refer to the circular of the Company dated 3 April 2017 (the “**Circular**”), of which this letter forms a part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the Equity Transfer Agreement and the Proposed Disposal contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Octal Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Equity Transfer Agreement and the Proposed Disposal contemplated thereunder. Details of the advice from Octal Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 8 to 9 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 1 to 7 of the Circular. Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations given by Octal Capital, we consider that the terms of the Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable, and the Proposed Disposal under the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, but is not in the ordinary or usual course of business of the Company due to the nature of such transaction.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions regarding the Equity Transfer Agreement and the Proposed Disposal contemplated thereunder to be proposed at the EGM.

Yours faithfully,

IRICO Group New Energy Company Limited*

Feng Bing,

Wang Jialu,

Wang Zhicheng

Independent Board Committee

* *For identification purpose only*

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Disposal prepared for the purpose of inclusion in this circular.



802–805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

3 April 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF 90% EQUITY INTEREST IN KUNSHAN IRICO

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Disposal and terms thereof, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 3 April 2017 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 28 February 2017, the Company and IRICO Shadow Mask entered into the Equity Transfer Agreement with Zhongdian IRICO, pursuant to which (i) the Company agreed to sell and Zhongdian IRICO agreed to acquire 80% equity interest in Kunshan IRICO; (ii) and IRICO Shadow Mask agreed to sell and Zhongdian IRICO agreed to acquire 10% equity interest in Kunshan IRICO, at a total consideration of approximately RMB71,439,750 (the “**Consideration**”).

As set out in the Letter from the Board, Zhongdian IRICO, which is directly held as to 72.08% by CEC and as to 27.92% by IRICO Group, is an associate of CEC and IRICO Group. CEC and IRICO Group are the controlling Shareholders and thus, Zhongdian IRICO is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Proposed Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM OCTAL CAPITAL

References are made to the announcements of the Company dated 9 May 2016 and 28 December 2016. The Company has transferred (i) 60% equity interest in Xianyang IRICO Electronic Accessories Co., Ltd. (at a cash consideration of RMB45,945,900); and (ii) the relevant assets of the internal functional department of special railway lines (at a cash consideration of approximately RMB4,657,900), respectively to Zhongdian IRICO. Pursuant to Rule 14A.81 of the Listing Rules, the previous transactions mentioned above have been aggregated with the Proposed Disposal.

As the highest applicable percentage ratio of the Proposed Disposal (as aggregated as aforesaid) exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable and connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

We are not connected with the Directors, chief executive and substantial shareholders of the Company, IRICO Shadow Mask, Zhongdian IRICO and IRICO Group or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to the Company (the "**Previous Engagements**") in respect of continuing connected transactions and a connected and major disposal (for details please refer to the circulars of the Company dated 21 April 2015 and 24 March 2016 respectively). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the Independent Board Committee and Independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or Zhongdian IRICO or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Company and its subsidiaries (the "**Group**"), including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, IRICO Shadow Mask, Zhongdian IRICO, IRICO Group, Kunshan IRICO and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

LETTER FROM OCTAL CAPITAL

PRINCIPLE FACTORS AND REASONS CONSIDERED IN RELATION TO THE PROPOSED DISPOSAL

In arriving at our opinion regarding the terms of the Proposed Disposal, we have considered the following principal factors and reasons:

I. Background of and reasons for the Proposed Disposal

1. *Principal activities and business of the Group*

The Company is a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in (i) the construction and operation of solar power plants; (ii) the research, development, production and sales of solar photovoltaic glass, solar cell modules and relevant products, upstream materials of lithium battery and materials relevant to flat panel display; and (iii) the processing of quartz sand, an upstream material for photovoltaic glass.

Set out below is a summary of the audited consolidated financial information of the Company for the year ended 31 December 2014, 2015 and 2016 as extracted from the Company's annual report for the year ended 31 December 2015 (the "**2015 Annual Report**") and from the Company's announcement of 2016 annual results (the "**2016 Annual Results Announcement**") dated 22 March 2017:

	For the year ended 31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Turnover	2,058,719	1,485,918	1,809,333
Gross profit	28,652	32,135	210,132
Profit/(loss) for the year attributable to the owners of the Company	(814,334)	644,168	105,712

LETTER FROM OCTAL CAPITAL

	As at 31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	6,488,813	1,211,724	1,297,645
Total assets	8,774,676	3,157,506	3,638,622
Total liability	8,138,100	3,029,253	3,486,123
Net assets	636,576	128,253	152,499

From the extracted financial information listed above, we noted that the turnover of the Group has dropped from approximately RMB2,059 million for the year ended 31 December 2014 to RMB1,486 million for the year ended 31 December 2015 representing a decrease of approximately 27.8%. The decrease of the revenue was mainly attributable to the decrease in revenue from production and sales liquid crystal related products by approximately RMB626 million from approximately RMB1,349 million for the year ended 31 December 2014 to approximately RMB723 million for the year ended 31 December 2015 which was partially set off by the increase in revenue from the production and sales of solar photovoltaic glass by approximately RMB144 million from RMB425 million for the year ended 31 December 2014 to approximately RMB569 million for the year ended 31 December 2015. However, the turnover of the Group increased by approximately RMB323 million or 21.8%, from RMB1,486 million for the year ended 31 December 2015 to RMB1,809 million for the year ended 31 December 2016 mainly attributable to the growth of the solar photovoltaic business segment.

The Group recorded a net loss attributable to the owners of the Company of approximately RMB814 million for the year ended 31 December 2014 because IRICO Display Devices Co., Ltd (the “**A Share Company**”), a subsidiary of the Company principally engaging in TFT-LCD glass substrate business, had a lower than expected-business-progress and significant impairment in related production facilities has been made by the Company in response to the cease of production of colour picture tubes (the “**CPT**”) as stated in the annual report of the Company for the year ended 31 December 2014. However, the Group recorded a net profit attributable to the owners of the Company of RMB644 million for the year ended 31 December 2015 as a result of gain on disposal of the A Share Company. Excluding the effect of such gain on disposal, the Group recorded a net loss attributable to owners of the Company of approximately RMB578 million. As stated in the 2016 Annual Results Announcement, the Group has further clarified the strategic development and formed a vertical industry chain of the photovoltaic business in 2016. As a result, the profitability of the Group has increased in 2016 and the Group recorded a net profit attributable to the owners of the Company of approximately RMB106 million for the year ended 31 December 2016.

LETTER FROM OCTAL CAPITAL

As regards the financial position of the Group, the net assets of the Group decreased significantly from RMB637 million as at 31 December 2014 to RMB128 million as at 31 December 2015 representing a decrease of 79.9% which was mainly attributable to the release upon disposal of property, plant and equipment of the A Share Company in order to focus on the new energy businesses as disclosed in the announcement of the Company dated 6 February 2015. The net asset as at 31 December 2016 has increased to approximately RMB152 million.

2. *Principal activities and business of IRICO Shadow Mask*

IRICO Shadow Mask is a wholly-owned subsidiary of the Company, and is principally engaged in the research and development, design and manufacturing of the flat shadow mask and the coordinating products for CPTs.

3. *Principal activities and business of Kunshan IRICO*

As stated in the audited financial statements of Kunshan IRICO for the year ended 31 December 2015 and 2016, Kunshan IRICO is principally engaged in the manufacturing and processing of the rubbers which was originally used for the electronic accessories, rubbers accessories for the metal products and other rubber accessories for the production of cathode ray tube (the “CRT”) units in the Group. The table below sets out the financial data of Kunshan IRICO prepared in accordance with the Hong Kong Financial Reporting Standards including the audited financial information for the years ended 31 December 2014, 2015 and 2016:

	For the year ended 31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	49,810	23,122	1,403
Operating loss	(3,255)	(8,595)	(3,274)
Net loss attributable to the shareholder of Kunshan IRICO	(1,985)	(7,488)	(2,167)

LETTER FROM OCTAL CAPITAL

	As at 31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Total assets	101,950	81,683	75,816
Total liabilities	39,410	26,631	22,931
Net assets	62,540	55,052	52,885

During the three years ended 31 December 2016, the turnover of Kunshan IRICO had been on a declining trend which dropped substantially from approximately RMB50.0 million for the year ended 31 December 2014 to approximately RMB1.4 million for the year ended 31 December 2016 and it had been continuously recording operating losses and net loss attributable to the shareholder of Kunshan IRICO in each of the three years ended 31 December 2016. As advised by the Company, the decrease in turnover of Kunshan IRICO for the year ended 31 December 2015 was mainly attributable to declining CRT business. The turnover of Kunshan IRICO for the year ended 31 December 2016 further dropped to approximately RMB1.4 million due to the suspension of production in December 2015. As at 31 December 2014, 2015 and 2016, the net assets of Kunshan IRICO were also decreasing mainly attributable to the loss incurred during the respective periods.

4. *Proposed Disposal*

As set out in the Letter from the Board, the Proposed Disposal will optimise the assets structure of the Company and allow the Company to focus on developing and enhancing its core businesses in relation to new energy. According to the 2015 Annual Report, it is the Group's strategy to streamline its asset structure, liquidate its remnant assets, strip off the inefficient assets, improve liabilities structure and be more focused on its main business of new energy business.

According to the announcements of the Company dated 24 December 2013 and 17 April 2014 and 6 February 2015, the Group had successfully disposed of several assets and companies related to its non-core businesses during the financial years 2013, 2014 and 2015. Meanwhile, the Group has been taking active steps to transform the business of the Company to new energy business and stripped off the non-profitable and non-principal-business assets which became a burden on operations through assets restructuring. As set out in the announcement of the Company dated 17 August 2016, the Company has realised transformation to solar photovoltaic glass, photovoltaic power station, lithium battery anode materials and their

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related businesses through adjustments in terms of asset structure, enterprise structure, industrial structure and personnel structure, and set up two principal businesses, i.e. new energy and new materials, in recent years. The Company is committed to becoming an international renowned green energy service provider. The Company has also commenced the construction for IRICO Yan'an new energy industrial project. As further set out in the interim report of the Company for the six months ended 30 June 2016, a photovoltaic glass project in Hefei has been put into operation and gradually yielded benefits of economy of scale.

Kunshan IRICO was originally engaged in the manufacturing and processing of rubbers which was used as accessories for the production of cathode ray tube units in the Group. However, the production of the CRT units of the Group has been ceased in the financial year ended 31 December 2014 and the operation of Kunshan IRICO has been suspended during the year ended 31 December 2015. The Proposed Disposal represents an opportunity for the Company to realise the assets of Kunshan IRICO and off-load the deteriorating and non-core business which has been loss-making during the previous three financial years ended 31 December 2016. Moreover, the Group could reallocate the proceeds from the Proposed Disposal to be used as working capital for the development of the new energy businesses of the Group.

Having considered the above, we are of the view that the Proposed Disposal is to be in the interests of the Company and the Shareholders as a whole.

II. Terms of the Proposed Disposal

I. Consideration

Pursuant to the Equity Transfer Agreement, the Consideration for the Proposed Disposal of the aggregated 90% equity interest in Kunshan IRICO, which was held by the Company as to 80% and IRICO Shadow Mask as to 10% respectively, was determined based on arm's length negotiations between the Company and Zhongdian IRICO, with reference to the appraised net assets value of the entire equity interest in Kunshan IRICO as at 31 May 2016 (i.e. the valuation date) of approximately RMB79,377,500 as set out in the Valuation Report prepared by the independent and duly qualified Beijing Pan-China (the "Valuer"). The Consideration was set as the 90% of the appraised net assets value of the entire equity interest of Kunshan IRICO which was approximately equal to RMB71,439,750.

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As set out in the Valuation Report prepared by the Valuer, the breakdown of the assessed value of the Kunshan IRICO was set out below:

	As at 31 May 2016		As at 31 December 2016
	(unaudited)	(assessed)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	14,550	15,827	13,046
Investment properties	3,961	8,841	4,610
Land use right	5,636	13,320	5,555
Current assets	<u>52,898</u>	<u>52,374</u>	<u>52,605</u>
	<u>77,045</u>	<u>90,362</u>	<u>75,816</u>
Current liabilities	7,510	6,680	6,361
Non-current liabilities	<u>17,216</u>	<u>4,304</u>	<u>16,570</u>
	<u>24,726</u>	<u>10,984</u>	<u>22,931</u>
Net assets	<u><u>52,319</u></u>	<u><u>79,378</u></u>	<u><u>52,885</u></u>

Compared to the audited booked value of Kunshan IRICO's net assets as at 31 December 2016, we noted that the assessed value of Kunshan IRICO's net assets as at 31 May 2016 has appreciated by approximately RMB26 million. As such, the Group expects to recognise a gain from the Proposed Disposal of approximately RMB24 million, which is calculated based on the proceeds from the Proposed Disposal less 90% of the carrying amount of the audited net assets value of Kunshan IRICO as at 31 December 2016 in accordance with the Hong Kong Financial Reporting Standards.

In order to independently assess the value of the entire equity interest of Kunshan IRICO, we have considered other valuation approaches such as the market approach by making reference to benchmarks of price-to-earnings ratio (the "**P/E Ratio**") and price-to-book ratio (the "**P/B Ratio**") and discounted cash flow analysis (the "**DCF Analysis**") of Kunshan IRICO. However, given that Kunshan IRICO was loss making for the year ended 31 December 2014 and 2015, it is not practicable to estimate the value of the entire equity interest of Kunshan IRICO by using P/E ratio. To perform the P/B Ratio analysis, we have independently performed research on the Stock Exchange to look for comparable companies

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listed on the Stock Exchange which are principally engaged in the manufacturing and sales of rubbers accessories used in the production of CRT units. However, since the production of CRT units is a sunset industry, we could not locate any relevant comparable companies (to the best of our knowledge) for the P/B Ratio analysis. Moreover, considering that Kunshan IRICO has already ceased its operation with no income stream from its manufacturing business, it is inappropriate to use the DCF Analysis for the valuation. Thus, we considered that the application of cost approach in valuing the entire equity interest of Kunshan IRICO in the Valuation Report to be fair and reasonable. We have reviewed the Valuation Report prepared by the Valuer and we have also discussed with the Valuer regarding the methodology and principal basis and assumptions adopted for the valuation of Kunshan IRICO. We understand that the common valuation approaches are market approach, income approach and asset-based approach. We further understand from the Valuer that the adoption of market approach may not be appropriate because Kunshan IRICO is not a publicly listed company and the transactions of companies with comparable characteristics are limited. On the other hand, we understand from the Valuer that the adoption of income approach, which is heavily relied on projection on expected discounted future revenue and/or cash inflows, may not be appropriate because Kunshan IRICO has already suspended its production since December 2015. Hence, the Valuer adopted asset-based approach for the valuation of Kunshan IRICO. We understand asset-based approach primarily involves the assessment of assets and liabilities to appraise their values. As for the current assets, current liabilities and non-current liabilities, the cost approach has been applied based on the Valuation Report. As for the property, plant and equipment, replacement cost approach has been applied based on the Valuation Report. As for the investment properties and land use right, the market approach has been applied to compare their respective market value based on the criteria of proximity and nature based on the Valuation Report.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of the Valuer in charge of the valuation. We have checked the website of Valuer and noted that Valuer is a registered valuation companies under China Appraisal Society and Ministry of Finance of the People's Republic of China (Beijing). Meanwhile, we understand from our enquiry with Valuer that it is a third party independent of the Company and/or IRICO Shadow Mask and/or Zhongdian IRICO and/or IRICO Group. We have also reviewed the scope of services provided under the engagement of Valuer by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that the Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Kunshan IRICO.

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Based on our review of the Valuation Report and the discussion with the Valuer, we consider that the valuation approaches adopted are common valuation methodologies in appraising such company and the basis and assumptions adopted by the Valuer are fair and reasonable. We also consider the level of the Consideration of approximately RMB RMB71,439,750, which was determined based on the Valuation Report, is fair and reasonable.

2. *Mode of settlement of the Consideration*

The Consideration of the Proposed Disposal shall be paid in a lump sum in cash by Zhongdian IRICO to the bank account designated by the Company and IRICO Shadow Mask within 45 days from the effective date of the Equity Transfer Agreement. Considering that the change of business registration for the equity transfer in the relevant government institutions takes a considerable amount of time, settlement of the Consideration within 45 days is reasonable. We also consider that the mode of settlement by cash is a common market practice which can provide a cash inflow to the Group thereby increasing the cash level and the working capital of the Group for future investments. As such, we are of the view that the mode of settlement is in the interests of the Company and the Shareholders as a whole.

Based on the above analysis, we consider that the Consideration, which was determined based on the appraised net assets value of Kunshan IRICO as at 31 May 2016, is fair and reasonable so far as the Independent Shareholders are concerned. Moreover, the mode of settlement of the Consideration by cash is in the interests of the Company and the Shareholders as a whole.

III. Financial effects of the Proposed Disposal

The Group has 90% equity interest in Kunshan IRICO. The financial effects of the Proposed Disposal on the Group are as follow:

1. *Earnings*

Upon completion of the Proposed Disposal, the Group shall not have any interest/control in Kunshan IRICO and the financial performance and position of Kunshan IRICO will cease to be consolidated in the accounts of the Group.

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The Group recorded consolidated audited net profit attributable to the Shareholders of approximately RMB106 million for the year ended 31 December 2016. Kunshan IRICO has been loss-making for the years ended 31 December 2014, 2015 and 2016. Upon completion of the Proposed Disposal, the Group will cease to bear the losses of Kunshan IRICO. Besides, as set out in the Letter from the Board, upon completion of the Proposed Disposal at the Consideration of approximately RMB71 million, the Group is expected to realise a gain on disposal of approximately RMB24 million based on the Hong Kong Financial Reporting Standards. Accordingly, it is expected that the earnings of the Group will improve significantly.

2. *Net asset value*

As stated in the 2016 Annual Results Announcement, the Group had consolidated audited net assets of approximately RMB152 million as at 31 December 2016. Upon completion of the Proposed Disposal, it is expected that the net assets of the Group will increase after taking into account the gain of approximately RMB24 million from the Proposed Disposal. We consider that the Proposed Disposal will have an overall improvement on the Group's net assets position.

3. *Cashflow*

As stated in the 2016 Annual Results Announcement, the Group had consolidated bank balances and cash of approximately RMB428 million as at 31 December 2016. Upon completion of the Proposed Disposal, the Group's bank balances and cash will increase by the amount of net proceeds received. As set out in the Letter from the Board, the Company intends to use such proceeds for the supplement working capital of the Company.

4. *Gearing ratio*

The gearing ratio of the Group as at 31 December 2016 was approximately 93.1% which was derived by dividing the total balance of bank and other borrowings of the Group as at 31 December 2016 of approximately RMB2,069 million by the sum of the total balance of equity and bank and other borrowings of the Group as at 31 December 2016 of approximately RMB2,222 million. Upon completion of the Proposed Disposal, it is expected that the total capital of the Group will increase after taking into account the gain of approximately RMB24 million from the Proposed Disposal. As such, assuming the total debt of the Group remains at same level, it is expected that the gearing ratio will decrease slightly.

Based on the above analysis, the Proposed Disposals would have positive impact on the earnings of the Group, the Group's net asset value, cashflow to the Group and the gearing ratio of the Group. On such basis, we are of the view that the Proposed Disposals are in the interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having considered the principal factors and reasons as discussed above and in particular the following:

- (i) the Proposed Disposal would enable the Company to focus on its principal businesses on the new energy sector and to offload its non-core and loss-making businesses;
- (ii) the terms of the Proposed Disposal are fair to the Company and the Shareholders as a whole as the Consideration of the Proposed Disposal has been appraised by the Valuer with relevant qualifications and will be sold at prices reasonably and fairly determined; and
- (iii) the Proposed Disposal would have improvement on the earnings, net asset value, cashflow position and gearing ratio of the Group,

we consider that the Proposed Disposal was entered into on normal commercial terms and the terms of the Proposed Disposal contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole, but is not in the ordinary or usual course of business of the Company due to the nature of such transaction. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Proposed Disposal contemplated thereunder.

For and on behalf of

Octal Capital Limited

Alan Fung

Louis Chan

Managing Director

Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 22 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

The following is an English translation of the summary of the valuation report in respect of Kunshan IRICO, which is prepared by Beijing Pan-China for the purpose of inclusion in this circular. Such report is prepared in Chinese and this English translation is provided for your reference only. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Beijing Pan-China holds the domestic assets appraisal qualification jointly granted by the China Securities Regulatory Commission and the Ministry of Finance of the PRC.

SUMMARY OF VALUATION REPORT

**Valuation in relation to the Proposed Transfer of the Equity Interest in
Kunshan IRICO Industrial Co., Ltd.* (昆山彩虹實業有限公司) by
IRICO Group New Energy Company Limited*
Tian Xing Ping Bao Zi (2016) No. 0697**

- I.** Valuation Purpose: as engaged by IRICO Group New Energy Company Limited*, Beijing Pan-China Assets Appraisal Co., Ltd. has conducted a valuation on the entire shareholders' equity interest of Kunshan IRICO Industrial Co., Ltd.* (hereinafter referred to as "Kunshan IRICO") in accordance with generally accepted valuation methods on an objective, independent, impartial and scientific basis under the PRC laws, regulations and policies on asset valuation.
- II.** Valuation Subject: the entire shareholders' equity of Kunshan IRICO as at the valuation base date.
- III.** Valuation Scope: the entire assets of Kunshan IRICO, including all assets and relevant liabilities.
- IV.** Value Type: the market value.
- V.** Valuation Base Date: 31 May 2016
- VI.** Assumptions of the valuation: this valuation is based on certain assumptions, including but not limited to the following conditions:
 - (1) Transaction assumption: all assets to be valued are assumed to be in transaction and valuers conduct the valuation according to simulated market conditions such as transaction conditions of the assets to be valued.
 - (2) Open market assumption: this is an assumption about market conditions and effects of such market conditions on assets. An open market means a well-developed and competitive market with willing buyers and willing sellers acting voluntarily and rationally at arms' length, having sufficient opportunities and time to obtain market information and under no compulsion or restrictions to buy or sell.

- (3) Continuous use assumption: the continuous use assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered as well as the status of the assets in such market conditions. It is first assumed that the assets to be appraised are in use, and it is further assumed that the assets that are in use will be used continuously. Under continuous use assumption, no consideration is given to the conversion of the use of the assets or the use of the assets under the best condition. Thus, the valuation results are subject to a restricted scope of applicability.
- (4) Going concern assumption: it is an assumption made by taking the whole assets of an enterprise as the object of valuation. In this way, the enterprise operates continually in pursuit of its operation objective under its external environment as the main operating entity. The operator of the enterprise is capable of taking responsibility. The enterprise operates legally and makes appropriate profits to maintain the capability of going concern.

VII. VALUATION METHOD:

The asset-based approach refers to the method of valuation, in which the value of the valuation target is determined by reasonable appraisal of the value of all on-and-off balance sheet assets and liabilities on the basis of the balance sheet. For the purpose of this valuation, the necessary information for adopting the asset-based approach could be provided by the appraised entities or collected by the valuer externally, which allowed a comprehensive review and valuation on the assets and liabilities of the appraised entities. Therefore, the asset-based approach was adopted for this valuation;

In 2014 and 2015, Kunshan IRICO recorded operating losses of RMB1,978,000 and RMB7,488,400 respectively, and net losses of RMB1,978,000 and RMB7,488,400 respectively. It suspended production and operation at the end of 2015. Given that it is uncertain when Kunshan IRICO will turn around from loss, its future income is unpredictable. This report did not adopt the income approach since reasonable predictions cannot be made in respect of the expected income.

As China lacks of a fully-developed and active capital market where similarities between comparable listed companies or transaction cases and the valuation subject are difficult to quantify and revise, the valuation results under the market approach are not accurate. In addition, the market approach is based on impact as at the valuation base date at the capital market without considering cyclical fluctuations. Therefore, this report did not adopt the market approach.

In light of the above, this report adopted asset-based approach.

The asset-based approach used for assessing the value of an enterprise is a valuation method where the value of the valuation subject is determined on the basis of a reasonable valuation of various assets and liabilities of the enterprise based on its balance sheet as at the valuation base date. The valuation process of various assets and liabilities is stated as follows:

1. Valuation of current assets and liabilities

Current assets of the valuation subject include monetary capital, notes receivable, accounts receivable, prepayments, other receivables and inventories; liabilities include accounts payable, advanced payments, staff remuneration payable, tax payable, other payables, other current liabilities and other non-current liabilities.

- (1) Monetary capital: it includes cash on hand, bank deposits and other monetary capital. The appraised value of which was determined as the verified book value which was arrived at after checking of cash inventory and the verification of bank reconciliation statements, bank confirmations, and other proofs of cash and bank balances. Funds denominated in foreign currencies are translated into RMB at the exchange rate by the State Administration of Foreign Exchange as at the valuation base date.
- (2) Notes receivable: notes receivable refer to the commercial bills received by enterprises for selling products or rendering services, etc. All notes receivable in the scope of valuation are bankers' acceptance. For notes receivable, the valuer checked the book records and the register of notes receivable while making inventories of and verified the notes receivable. Corresponding sales contracts and delivery orders (shipping orders) as well as other original records were also checked for certain notes receivable of large amount. The appraised value was then determined at the verified book value after verification.

- (3) Accounts receivable and other receivables: accounts receivable and other receivables are valued according to their likely recoverable amount on the basis that they have been verified. With regard to those receivables which are, with sufficient reason, believed to be fully recoverable, the appraised value is the total amount of the accounts receivable; with regard to the partial amount which is probably irrecoverable, in the event that it is difficult to confirm the amount of irrecoverable receivables, historical information and on-site investigation are used to familiarize the situation, specifically analyze the amount, time and reasons of loans, recovery of the amounts, as well as the capital, credit and current situation of operating management to estimate the partial amount which is probably irrecoverable in accordance with the aging analysis method as the appraised value calculated after deduction of the loss from risk; with regard to those which have conclusive evidences proving that the receivable cannot be recovered, the appraised value will be nil. The “provision of impairment” on the accounts shall be accounted for as zero.
- (4) Prepayments: the appraised value shall be determined based on the value of assets or rights from corresponding goods that can be recovered. for recoverable goods or rights, the verified book value is taken as the appraised value. Where there is conclusive evidence that the corresponding goods cannot be recovered, or the corresponding assets or interests cannot be formed, the appraised value of such prepayments will be nil. For deferred expense items with corresponding rights or value after the valuation base date, the appraised value shall be determined based on the original amount incurred and the ratio of remaining benefit period to the total amortization period.
- (5) *Inventories*

Inventories: mainly including raw materials and finished goods. For the purchased inventories with short inventory period, high marketability and stable market price, the verified book value is taken as the appraised value.

Raw materials: with regard to overdue, metamorphic or irrecoverable raw materials, the appraised value will be nil; with regard to recoverable raw materials, the market approach was adopted for the valuation.

Finished goods: with regard to metamorphic or irrecoverable products, the appraised value will be nil; with regard to metamorphic and recoverable products, the appraised value was the residual value of products.

- (6) Liabilities: After reviewing and verification and sending enquiry letters for liabilities of substantial amount, various categories of liabilities are valued by reference to their amounts for which the appraised entities are liable after the proposed transfer set out in the “Valuation Purpose” is completed. For those liabilities for which the appraised entities will no longer be liable after the proposed transfer, the appraised value is nil.

2. Valuation of non-current assets

(1) *Investment properties: Market approach was adopted for this valuation*

We use market approach in valuation pursuant to the purpose of this valuation in the principle of making use of the current situation based on market price and in connection of the features of the valuation subject and collection of data.

Market approach is a valuation method by comparing the property to be appraised with the similar properties transacted in the same supply and demand circle near the valuation base date and making modifications to such properties based on certain factors, thus arriving at the price of the subject property.

The calculation formula for property valuation based on market approach is as follows:

Appraised price of property to be appraised = transaction price of properties in transaction cases × transaction modification coefficient × transaction date modification coefficient × district factor modification coefficient × individual factor modification coefficient

(2) *Buildings and constructions (structures)*

The buildings and constructions are primarily appraised based on cost approach.

1) *Cost approach*

Appraised value = full replacement price × comprehensive newness rate

① Determination of full replacement price of buildings and constructions

Full replacement price = comprehensive construction and installation price + preliminary and other expenses + capital cost

For large-scale, high-value and significant buildings (structures), their overall construction and installation prices were determined after computing their respective civil construction costs and installation charges according to the quota standards and relevant charging documents implemented locally.

For low-value and simple-structured buildings (structures), their overall construction and installation prices were determined by using the unilateral cost method.

Preliminary fees and other expenses are determined according to industry standards and relevant local regulations on administrative and institutional fees. The full replacement price was determined after calculating the capital cost based on the lending interest rate on the valuation base date and the normal construction period of the type of buildings.

② Determination of comprehensive newness rate

(A) For high-value and important buildings (structures), the newness rate was determined based on both the on-site surveyed newness rate and the newness rate over useful life. The formula is as follows:

$$\text{Comprehensive newness rate} = \text{on-site surveyed newness rate} \times 60\% + \text{theoretical newness rate} \times 40\%$$

In which:

$$\text{Theoretical newness rate (\%)} = \frac{\text{remaining service life}}{\text{remaining service life} + \text{the serviced life}} \times 100\%$$

In determining the on-site surveyed newness rate, construction completion documents of major buildings shall be inspected to learn about the maintenance and management history, while onsite survey shall be conducted to evaluate the three parts including structure, decoration and equipment of the buildings with on-site survey lists filled in and calculate surveyed newness rate.

(B) For low-value and simple structured buildings (structures), the newness rate was determined based on useful life approach with adjustment according to the specific condition. The formula is as follows:

$$\text{Newness rate} = \frac{\text{service life} - \text{serviced life}}{\text{service life}} \times 100\%$$

(3) *Equipment*

Equipment within the scope of valuation includes three major categories: machinery equipment, transportation equipment and electrical equipment.

The equipment is appraised at the cost approach, according to the valuation purpose and the principle of sustainable use and based on the market price in combination with the features of the equipment and the information collected.

Appraised value = full replacement price × comprehensive newness rate

1) *Machinery equipment*

For this valuation, machinery equipment within the scope of valuation including homemade equipment.

① Determination of full replacement price

Full replacement price = Purchase price of equipment + freight and miscellaneous charges + installation and debugging expense + basic expenses + other expenses + capital cost

(A) Purchase price of equipment

The purchase price of a homemade equipment was mainly determined based on the quotation of manufacturers or trading companies with reference to the Quotation Manual of Electromechanical Products and the recent contractual price of similar equipment. For certain equipment the quotation of which were not available, the price index approach was adopted in assessing the purchase price.

(B) Freight and miscellaneous charges

The charge is calculated on the basis of the purchase price and by different rates depending on the distance between the manufacturer and the location of the equipment, the weight, shape and size of the equipment.

(C) Installation and debugging charges

The charge is calculated on the basis of the purchase price and by different rates depending on the features, weights and difficulty in installation of the equipment.

For small equipment and equipment with no need of installation, the charge is not considered.

(D) Basic expenses

The basic expenses is calculated by different rates depending on the features of the equipment on the basis of the purchase price and with reference to the Methods for Preparation of Estimates of Construction Projects and Indexes for Estimates issued by the Ministry of Machinery Industry.

(E) Preliminary fees and other expenses

The other expenses include the administrative expenses, the expenses for feasibility report and valuation, design fee, engineering supervision fee, etc. They were calculated according to the other fee standard of the construction projects in combination with the features of the equipment on the basis of the sum of the purchase price, the freight and miscellaneous expenses, basic expenses and installation and debugging expenses.

(F) Capital cost

The capital cost was calculated evenly over the construction period according to the reasonable period of the project and based on the loan interest rate applicable on the valuation base date.

Capital cost = (purchase price of equipment + freight and miscellaneous expenses + installation and debugging fee + basic expenses + other expenses) × loan interest rate × construction period × 1/2

② Determination of comprehensive newness rate

Comprehensive newness rate = on-site surveyed newness rate × 0.6 +
theoretical newness rate × 0.4

(A) On-site surveyed newness rate

The on-site surveyed newness rate is determined mainly according to the actual conditions of the equipment, by surveying and scoring various aspects of the equipment one by one, including technical conditions and maintenance of the equipment and the work environment surrounding the equipment.

(B) Theoretical newness rate

Theoretical newness rate is determined by reference to the economic life (or remaining service life) and the serviced life of the equipment.

Theoretical newness rate = (economic service life – serviced life)/
economic service life × 100%

For equipment whose serviced life were longer than the economic service life, the following formula was applied:

Theoretical newness rate = remaining service life/(serviced life +
remaining service life) × 100%

For equipment of lower value with light and simple structure and normal use, the newness rate was determined at service life approach based on the serviced life with consideration of its maintenance condition.

③ Determination of the appraised value

The appraised value of machinery equipment = full replacement price ×
comprehensive newness rate

2) *Valuation of Vehicles*

① Full replacement price of vehicles

The full replacement price of vehicles consists of purchase price, taxes in connection with purchase of vehicles and other reasonable expenses (comprising three parts such as fees of inspecting the vehicles, license fee and handling fee). The purchase price is valued by reference to the market price of similar vehicles in latest transactions.

② Determination of comprehensive newness rate

Pursuant to the current standard for mandatory vehicles scrappage, there is no limitation upon useful life of small and mini non-commercial passenger vehicles, the newness rate was determined by the mileage driven by the vehicle followed by adjustment in connection with on-site survey. For transportation vehicles, the newness rate was determined based on the lower of the mileage travelled by the vehicle or the useful life followed by adjustment in connection with on-site survey. No adjustment is needed in the case of little discrepancy between on-site survey and the method of by using the lower.

Newness rate under the service life approach=(mandatory service life – serviced life)/mandatory service life × 100%

Mileage-based newness rate=(mandatory vehicle mileage- accumulative mileage travelled)/mandatory vehicle mileage × 100%

The newness rate is generally no less than 15% for equipment (vehicle) under normal use in determination of newness rate.

③ Determination of the appraised value of vehicles

Appraised value = full replacement price of vehicles × comprehensive newness rate

3) *Valuation of Electronic Equipment*

① Determination of full replacement price for electronic equipment

Electronic equipment represents mostly office equipment such as computers, printers and air conditioners. The distributors of the electronic equipment undertake the delivery and installation of such equipment. Their replacement cost are valued by direct reference to their purchase price.

② Determination of newness rate

For electronic equipment, air conditioners and other small devices, their comprehensive newness rate is determined mainly according to their economic service life. For large electronic equipment, when determining their comprehensive newness rate, the valuers also consider other factors including the work environment surrounding the equipment and the operating conditions of the equipment.

③ Determination of appraised value

Appraised value = full replacement price of electronic equipment × newness rate

For vehicles and electronic equipment which were purchased a long time ago, ceased to be produced and have no comparable prices, they are valued mainly by reference to second-hand transaction prices using the market approach.

(4) *Land use rights*

The valuation method adopted in land valuation complies with the requirements and the application conditions stipulated in the Regulations on the Evaluation of Urban Land, and is in line with the valuation purpose. The valuation methods adopted in this valuation were determined pursuant to the Regulations on the Evaluation of Urban Land and based on the development status of local real estate market, the specific characteristics of the valuation subject and the valuation purpose. The common valuation methods include market comparison approach, income capitalization approach, cost approximation approach, residue approach and benchmark land premium coefficient correction approach. Based on the on-site survey and analysis by the valuers, the market approach and cost approximation approach were adopted respectively in the valuation. After comprehensive analysis and comparison, the valuation results by market approach was chosen as the ultimate results of the valuation.

VIII. BASIS OF VALUATION

The basis of economic activities, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price selection, on which this valuation was conducted, are set out as follows:

(I) Basis of economic activities

1. Meeting Minutes of IRICO Group New Energy Company Limited (General Manager Office [2016] No.20) (《彩虹集團新能源股份有限公司會議紀要》(總經理辦公[2016]20號));
2. Minutes of Office Meeting Regarding Transfer of 10% Equity Interests of Kunshan IRICO Held by IRICO Shadow Mask provided by Xianyang IRICO Electronics Shadow Mask Co., Ltd..

(II) Basis of laws and regulations

1. Law of the People's Republic of China on the State-Owned Assets of Enterprises (《中華人民共和國企業國有資產法》);
2. Company Law of the People's Republic of China (《中華人民共和國公司法》);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》);
4. Property Law of the People's Republic of China (《中華人民共和國物權法》);
5. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》);
6. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》);
7. Administrative Measures for State-Owned Assets Assessment (State Council Order 1991 No. 91) (《國有資產評估管理辦法》(國務院1991年91號令));
8. Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36) (《國有資產評估管理辦法實施細則》(國資辦發[1992]第36號)) issued by the former State Administration of State-owned Assets;

9. Opinions on Reforming the Administration and Management of Appraisal of State-owned Assets and Strengthening the Supervision and Management of Asset Appraisal (Guo Ban Fa [2001] No. 102) (《關於改革國有資產評估行政管理方式加強資產評估監督管理工作意見的通知》(國辦發[2001]102號));
10. Rules on Certain Issues Relating to the Appraisal of State-owned Assets (Ministry of Finance NO.14 Order) (《國有資產評估管理若干問題的規定》(財政部第14號令));
11. Notice of Ministry of Finance on Issuance of Administrative Measures for the Approval of State-owned Assets Valuation Project (Cai Qi [2001] No. 801) (《財政部關於印發〈國有資產評估項目核准管理辦法〉的通知》(財企[2001]801號));
12. Notice of the Ministry of Finance on Issuance of Administrative Measures for Filing of State-owned Assets Valuation Project (Guo Ban Fa [2001] No. 802) (《財政部關於印發〈國有資產評估項目備案管理辦法〉的通知》(國辦發[2001]802號));
13. Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises (State Council 2003 No. 378 Order) (《企業國有資產監督管理暫行條例》(國務院2003年378號令));
14. Interim Measures for Management of the Transfer of the State-owned Property Right of Enterprises (SASAC and Ministry of Finance 2003 No.3 Order) (《企業國有產權轉讓管理暫行辦法》(2003年國資委、財政部第3號令));
15. Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (SASAC of the State Council 2005 No.12 Order) (《企業國有資產評估管理暫行辦法》(2005年國務院國資委第12號令));
16. Notice on Strengthening Management of Evaluation of State-Owned Assets in Enterprises (SASAC Property [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
17. Notice on Transfer of State-owned Property Rights in Enterprises (SASAC Property [2006] No. 306) (《關於企業國有產權轉讓有關事項的通知》(國資產權發[2006]306號));
18. Notice on the Audit of Valuation Report for State-owned Assets of Enterprises (SASAC Property [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));

19. Notice on Issuance of the Guidelines for Approval of Valuation Project of Assets of Central Enterprises (SASAC Property [2010] No. 71) (《關於印發<中央企業資產評估項目核准工作指引>的通知》(國資發產權[2010]71號));
20. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (SASAC Property [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
21. Regulations for the Implementation of the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法實施條例》);
22. Provisional Regulations on Urban Land Use Tax of the People's Republic of China(《中華人民共和國城鎮土地使用稅暫行條例》);
23. Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》);
24. Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》);
25. Regulations for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》);
26. Other relevant laws and regulations.

(III) Basis of valuation standards

1. Asset Valuation Standards – Basic Standards (Cai Qi [2004] No. 20) (《資產評估準則—基本準則》(財企[2004]20號));
2. Asset Valuation Professional Ethical Standards – Basic Standards (Cai Qi [2004] No. 20) (《資產評估職業道德準則—基本準則》(財企[2004]20號));
3. Asset Valuation Professional Ethical Standards – Independence (Zhong Ping Xie [2012] No. 248) (《資產評估職業道德準則—獨立性》(中評協[2012]248號));

4. Asset Valuation Standards – Valuation Report (Zhong Ping Xie [2007] No. 189) (《資產評估準則－評估報告》(中評協[2007]189號));
5. Asset Valuation Standards – Valuation Procedure (Zhong Ping Xie [2007] No. 189) (《資產評估準則－評估程序》(中評協[2007]189號));
6. Asset Valuation Standards – Engagement Letter (Zhong Ping Xie [2007] No. 189) (《資產評估準則－業務約定書》(中評協[2007]189號));
7. Asset Valuation Standards – Working Paper (Zhong Ping Xie [2007] No. 189) (《資產評估準則－工作底稿》(中評協[2007]189號));
8. Asset Valuation Standards – Real Estate (Zhong Ping Xie [2007] No. 189) (《資產評估準則－不動產》(中評協[2007]189號));
9. Asset Valuation Standards – Machinery & Equipment (Zhong Ping Xie [2007] No. 189) (《資產評估準則－機器設備》(中評協[2007]189號));
10. Asset Valuation Standards – Intangible Assets (Zhong Ping Xie [2008] No. 217) (《資產評估準則－無形資產》(中評協[2008]217號));
11. Asset Valuation Standards – Enterprise Value (Zhong Ping Xie [2011] No. 227) (《資產評估準則－企業價值》(中評協[2011]227號));
12. Asset Valuation Standards – Making Use of Experts (Zhong Ping Xie [2012] No. 244) (《資產評估準則－利用專家工作》(中評協[2012]244號));
13. Guidelines for the Valuation Report on State-owned Assets of Enterprises (Zhong Ping Xie [2008] No. 218) (《企業國有資產評估報告指南》(中評協[2008]218號));
14. Quality Control Guidelines for Business of Valuation Institutions (Zhong Ping Xie [2010] No.214) (《評估機構業務質量控制指南》(中評協[2010]214號));
15. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2007] No. 189) (《資產評估價值類型指導意見》(中評協[2007]189號));

16. Guiding Opinions for Certified Public Valuers on Legal Ownership of Subject under Valuation (Hui Xie [2003] No. 18) (《註冊資產評估師關注評估對象法律權屬指導意見》(會協[2003]18號));
17. Guiding Opinions for Valuation of Investment Properties (Trial) (Zhong Ping Xie [2009] No.211) (《投資性房地產評估指導意見(試行)》(中評協[2009]211號));
18. Guidelines for Internal Governance of Valuation Institutions (Zhong Ping Xie [2010] No.121) (《評估機構內部治理指引》(中評協[2010]121號)).

(IV) Basis of asset ownership

1. Land use right certificate;
2. Grant contract of land use right;
3. Construction land planning permit, construction works planning permit and construction works commencement permit;
4. Property ownership certificate;
5. Motor vehicles license and registration certificate;
6. Other ownership documents.

IX. VALUATION CONCLUSION

Based on the asset-based approach, the book value and the appraised value of total assets of Kunshan IRICO Industry Co., Ltd. were RMB77,045,200 and RMB90,361,800, respectively, representing an appreciation of RMB13,316,600 or 17.28%; the book value and the appraised value of its liabilities were RMB24,726,300 and RMB10,984,300, respectively, representing a depreciation of RMB13,742,000 or 55.58%; and the book value and the appraised value of its net assets were RMB52,318,900 and RMB79,377,500, respectively, representing an appreciation of RMB27,058,600 or 51.72%. The summary of the appraisal results is set out as follows:

APPENDIX I SUMMARY OF VALUATION REPORT OF KUNSHAN IRICO

Summary of Asset Valuation Results

Unit: RMB0'000

Item	Book value	Appraised value	Appreciation/ depreciation	Appreciation rate %
	A	B	C=B-A	D=C/A×100
1 Current assets	5,289.79	5,237.37	-52.42	-0.99
2 Non-current assets	2,414.73	3,798.81	1,384.08	57.32
3 Including: Long-term equity investments	-	-	-	
4 Investment properties	396.16	884.12	487.96	123.17
5 Fixed assets	1,455.01	1,582.69	127.68	8.78
6 Construction in progress	-	-	-	
7 Intangible assets	563.56	1,332.00	768.44	136.35
8 Intangible assets – land use right	563.56	1,332.00	768.44	136.35
9 Others	-	-	-	
10 Total assets	7,704.52	9,036.18	1,331.66	17.28
11 Current liabilities	751.04	668.03	-83.01	-11.05
12 Non-current liabilities	1,721.59	430.40	-1,291.19	-75.00
13 Total liabilities	2,472.63	1,098.43	-1,374.20	-55.58
14 Net assets (Owners' equity)	5,231.89	7,937.75	2,705.86	51.72

Remarks:

Upon valuation on assets and relevant liabilities of Kunshan IRICO within the valuation scope using the asset-based approach in this valuation report, the appraised value of certain assets and liabilities differed from their book values, mainly due to the following reasons:

(I) The reason for valuation depreciation of current assets was as follows:

The valuation depreciation of current assets was mainly due to the valuation depreciation of inventory. In this valuation, those deteriorated inventories with no recoverable value had been valued at nil; and for those with recoverable value, the market approach had been adopted in the valuation. As such, the valuation depreciation of inventory occurred.

(II) The reason for appreciation of investment properties was as follows:

As the properties within the valuation scope were purchased long before, such properties had been appreciated significantly in recent years due to the continuously rising housing price.

(III) The reasons for valuation appreciation of the buildings and constructions were as follows:

1. The valuation appreciation of the original value of the buildings was due to the increases in labor cost, machinery cost and material costs in recent years, while the valuation appreciation of the net value of buildings was mainly due to their useful lives longer than the accounting depreciation lives adopted by the enterprise.
2. The valuation depreciation of structures was due to the fact that they were valued at nil since the ventilation project and decoration project had been valued under the buildings and constructions while the backfill project had been valued under the land use rights, respectively.

(IV) The reasons for valuation appreciation of equipment were as follows:

1. The original value of machinery equipment depreciated due to the decrease in the replacement prices of the machinery equipment as result of the declining prices of raw materials in recent years. In addition, the enterprise had made sufficient provisions for depreciation in respect with machinery equipment since most of such equipment was purchased long before, and the accounting depreciation period was shorter than the useful life, which resulted in valuation appreciation in the net value of machinery equipment.
2. In terms of vehicles, the original value depreciated due to the declining prices as result of a fast upgrade of vehicles; and the net value appreciated because the accounting depreciation period was shorter than the useful life of vehicles.
3. In terms of electronic equipment, the original value depreciated due to the declining purchase prices as result of a fast upgrade of electronic equipment and some of idle and soon-to-retired electronic equipment. In addition, the enterprise had made sufficient provisions for depreciation in respect with electronic equipment since most of such equipment was purchased long before, and the accounting depreciation period was shorter than the useful life, which resulted in the valuation appreciation of the net value of electronic equipment.

(V) The reason for valuation appreciation of lands was as follows:

The valuation appreciation of lands was mainly due to the fact that the lands were purchased at lower prices long before and had experienced increases in the market prices in recent years.

(VI) The reason for valuation depreciation of liabilities was as follows:

The valuation depreciation of liabilities was mainly due to the depreciation of other current liabilities and other non-current liabilities. Given that other current liabilities and other non-current liabilities were the demolition and relocation compensation of the enterprise, Kunshan IRICO would recognize such demolition and relocation compensation as revenue by year in the future periods based on the depreciation amount of fixed assets and amortization amount of intangible assets. Given the income tax to be levied on such deferred revenue, the appraised value had been determined as the product of the audited book value and income tax rate in this valuation, which resulted in the valuation depreciation of liabilities.

X. SPECIAL REMARKS

In case of any discrepancies in English version and Chinese version of the valuation report, the Chinese version shall prevail.

Pursuant to the Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (SASAC Order No. 12, 2005), this valuation report shall be valid for a year from 31 May 2016 (i.e., the valuation base date) to 30 May 2017. A re-valuation is required after one year therefrom.

Prior to its official application, the valuation report shall be submitted to regulatory authority of the state-owned assets or relevant competent department for their review and record.

The right of interpretation of this valuation report lies with Pan-China Assets Appraisal Co., Ltd. Any other party is not entitled to interpret this report unless otherwise explicitly stipulated and specified by laws and regulations of the State.

Beijing Pan-China Assets Appraisal Co., Ltd.
Certified Appraiser: Wang Xingjie, Shi Yingmin
1 July 2016

Contact method for Beijing Pan-China:
Address: 23F, Yuetan Building, No. 2, Yuetan North Street, Beijing
Telephone number: (8610) 6808 3855
Fax: (8610) 6808 1109

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and Short Positions of Directors, Supervisors, Chief Executive and Senior Management**

As at the Latest Practicable Date, none of the Directors, Supervisors, chief executives or senior management members of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO); (b) required to be recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or (c) otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules in force as at the Latest Practicable Date.

Mr. Si Yuncong and Mr. Huang Mingyan act as the Directors of the Company. Mr. Si Yuncong concurrently acts as the general manager of IRICO Group and Mr. Huang Mingyan concurrently acts as the deputy general manager of IRICO Group. Mr. Ding Wenhui acts as the supervisor and the chairman of the supervisory committee of the Company, and he concurrently serves as the deputy secretary of the Chinese Communist Party, the deputy secretary of discipline inspection commission and the chairman of the employee union of IRICO Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling Shareholder).

4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

5. CONSENT AND QUALIFICATION OF EXPERTS

- (a) The following are the qualifications of the expert who have given an opinion or advice which is contained in this circular:

Name	Qualification
Octal Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Beijing Pan-China	An independent valuer qualified in the PRC

- (b) As at the Latest Practicable Date, the above experts did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and it had no interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (c) On the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and reference to its name and letter, where applicable, in the form and context in which it appears.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS FOR INSPECTION

Copy of the Equity Transfer Agreement will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 6/F, Nexxus Building, No. 41 Connaught Road, Central, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular.