
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 Electronics 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

彩虹集團電子股份有限公司

IRICO GROUP ELECTRONICS COMPANY LIMITED*

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

(Stock Code: 0438)

**CONNECTED AND MAJOR DISPOSAL
IN RELATION TO PROPOSED DISPOSAL OF
13.5% A SHARES IN THE A SHARE COMPANY**

Financial Adviser to the Company



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

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



金融有限公司
OCTAL Capital Limited

A letter from the board of directors of the Company is set out on pages 1 to 9 of this circular. A letter from the independent board committee of the Company is set out on pages 10 to 11 of this circular. A letter from Octal Capital Limited, the independent financial adviser, containing its advice and recommendation to the independent board committee and the independent shareholders of the Company is set out on pages 12 to 35 of this circular.

The AGM will be held at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the People's Republic of China at 10:00 a.m. on Wednesday, 13 May 2015. Please refer to the notice of the AGM dated 29 March 2015 published on the Stock Exchange's website and the Company's website.

21 April 2015

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DEFINITIONS

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

“A Share Company”	IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司), a subsidiary of the Company, which is directly held as to approximately 18.45% by the Company and approximately 11.1% by IRICO Group as at Latest Practicable Date, and a company listed on the Shanghai Stock Exchange
“A Share Company Group”	the A Share Company and its subsidiaries
“AGM”	the 2014 annual general meeting of the Company to be convened on Wednesday, 13 May 2015 to consider and, if thought fit, to approve, among other things, the Proposed Disposal
“Agreement”	the agreement dated 6 February 2015 entered into between the Company and Xianyang IRICO in relation to the Proposed Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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 controlling shareholder of the Company holding indirectly approximately 71.74% of the issued share capital of the Company through IRICO Group as at Latest Practicable Date

DEFINITIONS

“Company”	IRICO Group Electronics Company Limited* (彩虹集團電子股份有限公司), 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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the committee of directors consisting of Mr. Xu Xinzhong, 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
“Independent Shareholders”	the shareholders of the Company other than CEC and its associates (including IRICO Group and its associates) who will abstain from voting on the relevant resolutions with respect to the Proposed Disposal at the AGM
“IRICO Group”	IRICO Group Corporation* (彩虹集團公司), the controlling shareholder of the Company directly holding approximately 71.74% of the issued share capital of the Company as at Latest Practicable Date
“IRICO Group Disposal”	the proposed disposal of 81,800,000 A shares in the A Share Company, representing approximately 11.1% of the issued share capital of the A Share Company, by IRICO Group to Xianyang IRICO pursuant to an agreement entered into on 6 February 2015
“Latest Practicable Date”	16 April 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 Proposed Disposal
“PRC”	the People’s Republic of China
“Proposed Disposal”	the proposed disposal of 99,460,000 A shares in the A Share Company, representing approximately 13.5% of the issued share capital of the A Share Company, by the Company to Xianyang IRICO pursuant to the Agreement
“Remaining Group”	the Company and its subsidiaries, other than the A Share Company and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xianyang 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 74% by CEC and 26% by IRICO Group as at 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 purposes only.*



彩虹集團電子股份有限公司
IRICO GROUP ELECTRONICS COMPANY LIMITED*
(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0438)

Directors:

Executive Directors

Guo Mengquan (*Chairman*)
Zhang Junhua (*Vice-chairman*)

Legal address and the head office in the PRC:

No. 1 Caihong Road
Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

Non-executive Directors

Si Yuncong
Huang Mingyan
Jiang Ahe

Place of Business in Hong Kong:

6/F, Nexxus Building
No. 41 Connaught Road Central
Hong Kong

Independent Non-executive Directors

Xu Xinzong
Feng Bing
Wang Jialu
Wang Zhicheng

***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

21 April 2015

To the holders of Shares of the Company

Dear Sir or Madam,

I. INTRODUCTION

Reference is made to the announcement of the Company dated 6 February 2015 with respect to, among other things, the Proposed Disposal.

LETTER FROM THE BOARD

The Board announces that on 6 February 2015, the Company and Xianyang IRICO entered into the Agreement, pursuant to which the Company conditionally agreed to sell, and Xianyang IRICO conditionally agreed to acquire, 99,460,000 A shares in the A Share Company, representing approximately 13.5% of the issued share capital of the A Share Company, at a cash consideration of RMB897,129,200 (i.e. RMB9.02 per A share).

Upon completion of the Proposed Disposal, the Company will hold 36,444,798 A shares in the A Share Company, representing approximately 4.95% of the issued share capital of the A Share Company, and the A Share Company will cease to be a subsidiary of the Company. The Board currently decided to retain the remaining 4.95% of the issued share capital of the A Share Company.

The Company will convene the AGM to consider and, if appropriate, to approve, among other things, the Proposed Disposal.

The Independent Board Committee has been formed to consider the Proposed Disposal. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular from pages 10 to 11. Octal Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Disposal. The letter from Octal Capital to the Independent Board Committee and the Independent Shareholders is included in this circular from pages 12 to 35.

The purposes of this circular is to provide the Shareholders with further information in respect of the Proposed Disposal. Shareholders are advised to refer to this circular to make a properly-informed decision with respect to the Proposed Disposal.

II. PROPOSED DISPOSAL

1. The Agreement

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

Date: 6 February 2015

Parties: (1) the Company, as the vendor

(2) Xianyang IRICO, as the purchaser

LETTER FROM THE BOARD

Shares to be disposed of:

Subject to the terms and conditions of the Agreement, the Company agreed to sell, and Xianyang IRICO agreed to acquire, 99,460,000 A shares in the A Share Company, representing approximately 13.5% of the issued share capital of the A Share Company.

Consideration:

The consideration under the Agreement is RMB897,129,200, which shall be paid in cash by Xianyang IRICO to the bank account designated by the Company within thirty days from the effective date of the Agreement.

The consideration was determined based on arm's length negotiations between the Company and Xianyang IRICO with reference to the weighted average price of the A shares of the A Share Company for the thirty trading days preceding the date of the announcement in relation to the Agreement on 6 February 2015 (i.e. RMB9.02 per A share).

Condition Precedent:

The Agreement shall become effective upon fulfilment of the following conditions:

- (i) the Company having obtained the Independent Shareholders' approval of the Proposed Disposal at the general meeting of the Company; and
- (ii) the SASAC having approved the Proposed Disposal.

Completion:

The completion of the Agreement shall take place on the day when the Company receives the consideration under the Agreement in full.

2. Information of Xianyang IRICO and the A Share Company

(i) *Xianyang IRICO*

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

LETTER FROM THE BOARD

(ii) *A Share Company*

The A Share Company is principally engaged in the production, development and operation of liquid crystal display (LCD) substrate, electronic products and components and raw materials.

As at 31 December 2014, the audited net assets of the A Share Company, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), is approximately RMB1,579,510,000.

The table below sets out the net profits/loss before and after taxation and extraordinary items of the A Share Company, prepared in accordance with HKFRS, for the two financial years ended 31 December 2013 and 2014:

(Currency: RMB)

	For the financial year ended 31 December 2013 (audited)	For the financial year ended 31 December 2014 (audited)
Profit/(loss) before tax	30,006,000	(1,144,225,000)
Net profit/(loss)	30,006,000	(1,144,225,000)

The Company is expected to gain approximately RMB683,900,000 from the Proposed Disposal and such gain is calculated by reference to the net asset value of the A Share Company in the Group’s accounts as at 31 December 2014 prepared in accordance with HKFRS.

The Company intends to use the proceeds from the Proposed Disposal for the purposes and in the amount set out below:

- (i) approximately 23% of the net proceeds to be used for repayment of the outstanding indebtedness of the Company;
- (ii) approximately 43% of the net proceeds to be used for construction and production in relation to solar photovoltaic glass projects;
- (iii) approximately 11% of the net proceeds to be used for other production projects of the Remaining Group, mainly including the production project of solar photovoltaic power plants; and
- (iv) approximately 23% of the net proceeds to be used to supplement working capital of the Company and other general corporate purposes.

LETTER FROM THE BOARD

The Directors believe that the intended use of the net proceeds of the Proposed Disposal, especially in the solar photovoltaic glass projects and the other production projects of the Remaining Group (mainly including the production project of solar photovoltaic power plants) tie in with the Company's new strategy to develop in the new energy and new material sectors.

3. Information of the Group and the Remaining Group

The Group (including the A Share Company Group) are principally engaged in the production and sale of solar photovoltaic glass, luminous materials and new electronics materials, liquid crystal glass substrate, and trading of liquid crystal related products, among which the thin film transistor liquid crystal display (TFT-LCD) glass substrate business is carried out by the Group through the A Share Company Group.

Following the completion of the Proposed Disposal, the Remaining Group will continue to be engaged in the new energy and new materials businesses (i.e. the production and sale of solar photovoltaic glass, luminous material and new electronics materials) and the trading of liquid crystal related products. The Directors considered that the Remaining Group would continue to carry out a sufficient level of operations and to have assets of sufficient value to warrant the continued listing of the Company's securities.

4. Reasons for and benefits of the Proposed Disposal

The Company's future business orientation has been determined to be on the new energy and new materials sectors. The Proposed Disposal represents an opportunity for the Company to dispose of its TFT-LCD glass substrate business, which is currently carried out by the Group through the A Share Company and its subsidiaries. Upon completion of the Proposed Disposal, the solar photovoltaic glass business and the luminous materials and other new materials business and the trading of liquid crystal related products business would become the principal businesses of the Group. Such principal businesses of the Group would tie in with the Company's new strategy to develop in the new energy and new material sectors.

The Proposed Disposal will help to streamline the shareholding structures between IRICO Group and the two listed companies, namely the Company and the A Share Company. Upon completion of the Proposed Disposal, the Company and the A Share Company would be able to operate their respective capital and assets independently and reduce management costs.

Upon completion of the Proposed Disposal, the Group expects to proactively expand to the upstream and downstream fields of solar photovoltaic glass and other new materials. The Proposed Disposal will also help the Group to reduce financial expenses and optimize its structure of assets and liabilities.

LETTER FROM THE BOARD

The streamlined strategy of the Company to focus on the new energy and new materials businesses may enhance the Company's profile amongst investors, particularly investors specializing in the new energy sector. This may in turn create value to the Shareholders of the Company and strengthen the Company's fund raising capability in the capital market.

Based on the above reasons and benefits, the Directors believe that the terms of the Proposed Disposal are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

5. Implications under the Listing Rules

CEC and IRICO Group are the controlling shareholders of the Company and thus connected persons of the Company. Xianyang IRICO, which is directly held as to 74% by CEC and 26% by IRICO Group, respectively, is an associate of CEC and IRICO Group and thus a connected person of the Company.

As the highest percentage ratio among all the relevant percentage ratios for the Proposed Disposal exceeds 25% but is less than 75%, the Proposed Disposal constitutes connected and major disposal of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

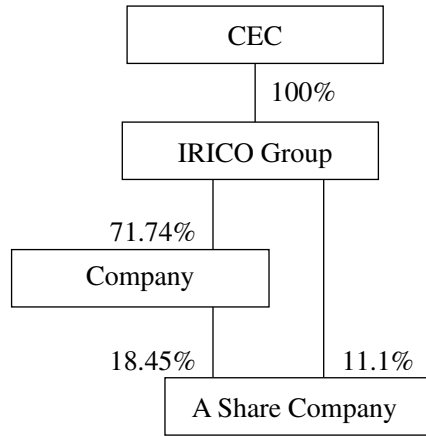
III. POSSIBLE CHANGE OF CONTROLLING SHAREHOLDER OF THE A SHARE COMPANY

The Company is notified by IRICO Group that on 6 February 2015, IRICO Group and Xianyang IRICO entered into an agreement, pursuant to which IRICO Group agreed to sell, and Xianyang IRICO agreed to acquire, 81,800,000 A shares in the A Share Company, representing approximately 11.1% of the issued share capital of the A Share Company, at a cash consideration of RMB737,836,000 (i.e. RMB9.02 per A share). The IRICO Group Disposal is subject to approval by SASAC. Upon completion of the IRICO Group Disposal, IRICO Group will no longer directly hold any A shares in the A Share Company, while CEC will remain as the de facto controller of the A Share Company.

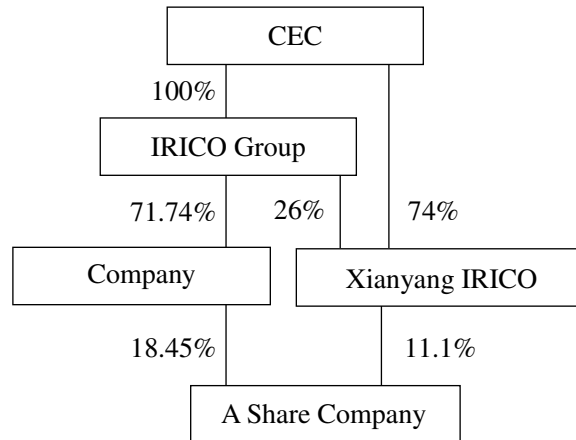
LETTER FROM THE BOARD

IV. SHAREHOLDING STRUCTURE

The simplified corporate chart of the Company and the A Share Company as at the Latest Practicable Date is as follows:

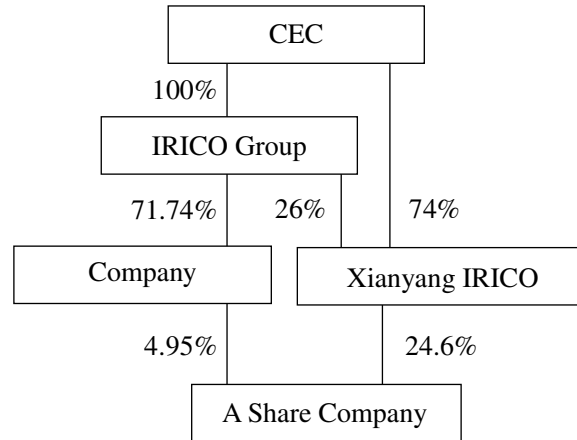


Immediately upon completion of the IRICO Group Disposal, the simplified corporate chart of the Company and the A Share Company will be as follows:



LETTER FROM THE BOARD

Immediately upon completion of the IRICO Group Disposal and the Proposed Disposal, the A Share Company will cease to be a subsidiary of the Company. The simplified corporate chart of the Company and the A Share Company will be as follows:



V. AGM

The Board will convene the AGM for the Independent Shareholders to consider, if appropriate, to approve the Proposed Disposal.

The Independent Board Committee has been formed to consider the Proposed Disposal. Octal Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Disposal.

Certain Directors, namely, Mr. Guo Mengquan, Mr. Zhang Junhua, Mr. Si Yuncong, Mr. Huang Mingyan and Mr. Jiangahe, by virtue of their respective senior positions in IRICO Group, may be considered as having material interests in the Proposed Disposals. As such, they have abstained from voting at the meeting of the Board convened for the purpose of approving the Proposed Disposal. No Director holds any shares of the Company and therefore none of them is eligible for voting or is required to abstain from voting at the AGM.

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 Latest Practicable Date, will be required to abstain from voting at the AGM. The proposed resolution will be passed by way of ordinary resolution and voting will be conducted by way of poll in accordance with the requirements of the Listing Rules. Other than CEC and its associates (including IRICO Group and its associates), no Shareholder has any material interest in the Proposed Disposal and therefore is required to abstain from voting on the resolutions approving the Proposed Disposal at the AGM.

LETTER FROM THE BOARD

VI. RECOMMENDATION

The Directors are of the view that the Proposed Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the AGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 10 to 11 of this circular, the letter from Octal Capital set out on pages 12 to 35 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolution regarding the Proposed Disposal.

VII. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
IRICO Group Electronics Company Limited*
Chu Xiaohang
Company Secretary



IRICO

彩虹集團電子股份有限公司

IRICO GROUP ELECTRONICS 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:

No. 1 Caihong Road
Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

Place of Business in Hong Kong:

6/F, Nexxus Building
No. 41 Connaught Road Central
Hong Kong

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

21 April 2015

**CONNECTED AND MAJOR DISPOSAL
IN RELATION TO PROPOSED DISPOSAL OF
13.5% A SHARES IN THE A SHARE COMPANY**

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 21 April 2015 (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 and conditions of the Proposed Disposal are fair and reasonable so far as the Independent Shareholders are concerned and 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 and conditions of the Proposed Disposal. 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 12 to 35 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 1 to 9 of the Circular. Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendation given by Octal Capital, we consider that the terms and conditions of the Proposed Disposal 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.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution regarding the Proposed Disposal at the AGM.

Yours faithfully,

IRICO Group Electronics Company Limited*

Xu Xinzhong, Feng Bing, Wang Jialu, Wang Zhicheng

Independent Board Committee

LETTER FROM OCTAL CAPITAL

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Octal Capital prepared for the purpose of incorporation in this circular.



801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

21 April 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED AND MAJOR DISPOSAL IN RELATION TO PROPOSED DISPOSAL OF 13.5% A SHARES IN THE A SHARE COMPANY

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 21 April 2015 (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 6 February 2015, the Company and Xianyang IRICO entered into the Agreement, pursuant to which the Company conditionally agreed to sell, and Xianyang IRICO conditionally agreed to acquire, 99,460,000 A shares in the A Share Company, representing approximately 13.5% of the issued share capital of the A Share Company, at a cash consideration of RMB897,129,200 (i.e. RMB9.02 per A share). Upon completion of the Proposed Disposal, the Company will hold 36,444,798 A shares in the A Share Company, representing approximately 4.95% of the issued share capital of the A Share Company, and the A Share Company will cease to be a subsidiary of the Company.

As (i) CEC and IRICO Group are the controlling shareholders of the Company and thus connected persons of the Company. Xianyang IRICO, being the purchaser and which is directly held as to 74% by CEC and 26% by IRICO Group, respectively, is an associate of CEC and IRICO Group and thus a connected person of the Company; and (ii) the highest percentage ratio among all the relevant percentage ratios for the Proposed Disposals exceeds 25% but is less than 75%, the Proposed Disposal constitutes connected and major disposal of the Company under Chapter 14A and Chapter 14 of the Listing Rules respectively which is subject to the Independent Shareholders’ approval requirement.

LETTER FROM OCTAL CAPITAL

We are not connected with the Directors, chief executive and substantial shareholders of the Company, Xianyang 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 (i) possible connected and major disposals; and (ii) connected and very substantial disposals (for details please refer to the circulars of the Company dated 26 September 2013 and 30 June 2014 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 the purchasers 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 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, the Xianyang IRICO, IRICO Group 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. Background

The Group (including the A Share Company Group) is principally engaged in the production and sale of solar photovoltaic glass, luminous materials and new electronic materials, liquid crystal glass substrate, and trading of liquid crystal related products, among which the Thin-Film-Transistor Liquid Crystal Display (TFT-LCD) glass substrate business is carried out by the Group through the A Share Company Group.

Set out below is a summary of the financial information of the Group for the years ended 31 December 2012, 2013 and 2014 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2012 (Audited)	For the year ended 31 December 2013 (Audited)	For the year ended 31 December 2014 (Audited)
<i>Expressed in RMB'000</i>			
Turnover	2,645,213	2,279,758	2,218,276
Gross profit/(loss)	(99,019)	65,555	(44,739)
Net loss after taxation	(3,405,171)	(214,637)	(1,692,342)
Net loss attributable to the owners of the Company	<u>(1,662,002)</u>	<u>(226,352)</u>	<u>(814,280)</u>

LETTER FROM OCTAL CAPITAL

	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014
<i>Expressed in RMB'000</i>	(Audited)	(Audited)	(Audited)
Non-current assets	8,107,972	8,200,487	6,777,542
Current assets	4,188,162	2,778,580	1,997,134
Current liabilities	(5,153,073)	(5,744,346)	(5,564,604)
Non-current liabilities	(5,501,046)	(3,881,596)	(2,573,496)
Net assets	1,642,015	1,353,125	636,576
Net current liabilities	(964,911)	(2,965,766)	(3,567,470)
Equity attributable to owners of the Company	<u>206,678</u>	<u>(20,462)</u>	<u>(602,005)</u>

Source: Annual reports of the Company for the years ended 31 December 2012 and 2013 and the annual results announcement of the Company for the year ended 31 December 2014.

During the three years ended 31 December 2014, the turnover of the Group had been on a declining trend which dropped from RMB2,645 million for the year ended 31 December 2012 to RMB2,279 million for the year ended 31 December 2013 and it further declined to RMB2,218 million for the year ended 31 December 2014, representing a decrease of approximately 13.8% from 2012 to 2013 and a decrease of approximately 2.7% from 2013 to 2014. The Group recorded net losses attributable to owners of the Company for the year ended 31 December 2012 and it continued to record net losses attributable to owners of the Company in the following two years ended 31 December 2014. The net losses attributable to owners of the Company was approximately RMB1,662 million, RMB226 million and RMB814 million for the years ended 31 December 2012, 2013 and 2014 respectively. As regards the financial position of the Group, it had been heavily indebted during the three years ended 31 December 2014 with a total of RMB6,194 million short-term and long-term bank loans and other borrowings outstanding as at 31 December 2014. As a result of the significant amount of indebtedness of the Group, it was in a net current liabilities position of RMB3,567 million as at 31 December 2014.

As set out in the annual report of the Group for the year ended 31 December 2012, as a result of the adverse operating environment and the change of market conditions, the directors of the Company revisited their business plans and decided to cease production of some of the Group's manufacturing facilities of CPTs products in the coming years. Meanwhile, in view of the continuing decline in the performance of the Group, as set out in the annual report of the Group for the year ended 31 December 2012, at the end of 2012, as approved by the State-owned Assets Supervision and Administration Commission (the "SASAC"), IRICO Group, the controlling shareholder of the Company, was consolidated into China Electronic Corporation (中國電子信息產業集團有限公司 "CEC") by allocation at nil consideration, which was a significant decision made by the SASAC for boosting the reform and reorganisation of central enterprises and also an important measure to accelerate the comprehensive industrial transformation of IRICO Group.

Since then, we note that the Group had been actively looking for opportunities to off-load the non-core businesses and loss-making companies of the Group to focus on the development of the new energy and new materials sectors. According to the announcements of the Company dated 24 December 2013 and 17 April 2014, the Group had successfully disposed of several assets and companies related to its non-core businesses during the financial years ended 31 December 2013 and 2014, which included the disposals of Western Trust Co., Ltd, certain industrial properties and supporting facilities in Xianyang and IRICO (Foshan) Plat Panel Display Co., Ltd.. Besides, according to the announcement of the Company dated 30 May 2014, the Group further entered into several sale and purchase agreements for the disposal of its subsidiaries, namely, Xi'an IRICO Zixun Co., Ltd, Kunshan IRICO Industrial Co., Ltd, Xi'an Cairui Display Technology Co., Ltd, Sichuan Century Shuanghong Display Device Co., Ltd, which had been loss-making and engaged in the non-core businesses of the Group. Further, as set out in the announcement of the Company dated 30 December 2014, the Group entered into a sale and purchase agreement to dispose of a factory principally engaged in the pressing business of metal accessories and the manufacture of moulds. Moreover, according to the announcements of the Company dated 27 May 2014, 28 May 2014, 30 May 2014 and 2 July 2014, the Company had made a series of disposals of an aggregate of 19,000,000 A shares of the A Share Company on the Shanghai Stock Exchange and the proceeds from such disposals were intended for the use as working capital and development of solar photovoltaic glass, new electronics chemical materials and other principal businesses of the Company.

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2. *Principal activities and business of the A Share Company*

As at the Latest Practicable Date, the A Share Company is owned as to 18.45% by the Company. As set out in the annual report of the Company for the year ended 31 December 2014, the Company has de facto control over the A Share Company such that it is deemed to be a subsidiary of the Company and its financial position and results are consolidated into the Group.

The A Share Company is a China-based company principally engaged in the production, development and operation of liquid crystal display substrate, electronic products and components and raw materials. The A Share Company's main products are TFT-LCD glass substrate, as well as organic light-emitting diodes (OLEDs). The A Share Company distributes its products within domestic market and to overseas markets. The table below sets out the financial information of the A Share Company for the years ended 31 December 2010, 2011, 2012, 2013 and 2014 which were prepared in accordance with the generally accepted accounting principles of the PRC:

	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December
<i>Expressed in RMB'000</i>	2010	2011	2012	2013	2014
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Turnover	1,151,616	357,689	248,692	239,599	159,558
Operating loss	(5,139)	(578,088)	(2,241,014)	(65,344)	(1,109,172)
Net profit/(loss) after tax	5,598	(567,334)	(2,216,037)	21,968	(1,144,225)
Net profit/(loss) attributable to the shareholders of the A Share Company	<u>12,137</u>	<u>(517,714)</u>	<u>(1,722,425)</u>	<u>74,795</u>	<u>(1,024,333)</u>
	As at 31 December	As at 31 December	As at 31 December	As at 31 December	As at 31 December
<i>Expressed in RMB'000</i>	2010	2011	2012	2013	2014
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Total assets	7,818,115	8,868,022	8,002,932	7,347,963	5,763,022
Total liabilities	3,118,819	4,715,559	6,066,505	5,389,568	4,183,513
Net assets	4,699,296	4,152,464	1,936,426	1,958,394	1,579,510
Equity attributable to owners of the A Share Company	<u>4,200,683</u>	<u>3,692,149</u>	<u>1,969,725</u>	<u>2,044,520</u>	<u>1,411,194</u>

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Source: Annual reports of the A Share Company for the years ended 31 December 2010, 2011, 2012, 2013 and 2014

During the five years ended 31 December 2014, the turnover of the A Share Company had been on a declining trend which dropped substantially from approximately RMB1,152 million for the year ended 31 December 2010 to approximately RMB160 million for the year ended 31 December 2014 while it had been continuously recording operating losses in each of the five years ended 31 December 2014. Besides, we noted that the A Share Company recorded net losses attributable to owners of the A Share Company in the years ended 31 December 2011, 2012 and 2014, of which such net losses were more notable in the years 2012 and 2014.

As set out in the annual report of the A Share Company for the year ended 31 December 2012, the A Share Company has ceased all of its traditional Colour Picture Tube (CPT) business in November 2012 after digesting all the raw materials on hand and significant impairment provisions were made against the relevant assets. At the same time, the A Share Company has shifted its business focus towards TFT-LCD and OLED businesses but these new business streams have yet reached its breakeven point. Hence, the A Share Company recorded a substantial net loss for the year ended 31 December 2012. Further, we noted from the annual report of the A Share Company for the year ended 31 December 2014 that as a result of (i) the declining selling price of TFT-LCD glass substrate; and (ii) the lower than expected production scale of the TFT-LCD glass substrate, the A Share Company recorded a significant amount of provision for impairment on the fixed assets, raw materials and construction-in-process in relation to the production of the TFT-LCD glass substrate of approximately RMB685 million as compared with the provision for impairment of approximately RMB24 million recorded in the year ended 31 December 2013, thereby resulting in a significant net losses attributable to owners of the A Share Company for the year ended 31 December 2014.

Although the A Share Company recorded a net profit attributable to owners of the A Share Company of RMB75 million for the year ended 31 December 2013, it was mainly resulted from one-off transactions which led to the realized gain on disposals of Western Trust Co., Ltd and the industrial properties and supporting facilities while the operating losses of the A Share Company had been enduring in 2013. During the year ended 31 December 2014, net losses attributable to owners of the A Share Company extended to RMB1,024 million.

3. *Relevant regulatory requirement on the Proposed Disposal*

As at the Latest Practicable Date, the Company is owned as to approximately 71.74% by IRICO Group which is in turn wholly-owned by CEC. CEC is a wholly state-owned company incorporated in the PRC and is wholly-owned by SASAC. Therefore, the abovementioned Proposed Disposal is subject to the approval by SASAC in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets. According to the “國有股東轉讓所持上市公司股份管理暫行辦法” (The Interim Measure for the transfer of shares of listed companies by state-owned shareholders*) issued by the SASAC, on the transfer of shares of listed companies by state-owned shareholder under a share transfer agreement, the transfer price should be set with reference to the weighted average closing price of the shares for the 30 trading days preceding the date of the relevant announcement (the “**Reference Price**”). In the case of setting a discount on the transfer price, the discounted transfer price shall not be less than 90% of the Reference Price.

4. *Industry Overview*

The TFT-LCD glass substrate industry in China

According to a research report published by Display Search, in the year 2014, the TFT-LCD glass substrate industry is dominated by the international glass manufacturing giants of Corning Inc., Asahi Glass Company and Nippon Electric Glass Company which represents more than 95% of the market share of the industry in the world. The standard of the TFT-LCD glass substrate has been shifting towards the more advanced Eighth Generation and the abovementioned three manufacturing giants accounted for over 96% of the production of the Eight Generation TFT-LCD glass substrate. The domestic TFT-LCD glass substrate manufacturers in the PRC, including the leading manufacturer, Dongxu Optoelectronic Technology Co., Ltd., are mainly engaged in the lower standard Fifth Generation to Sixth Generation products. In recent years, the PRC government has been encouraging the development of the TFT-LCD glass substrate and set out a series of policies to subsidize the domestic manufacturers of the TFT-LCD glass substrate in order to compete with the imported TFT-LCD glass substrate and meet the domestic demand.

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According to the China national 12th Five-Year-Plan, the need for TFT-LCD glass substrate in China could reach 100 million square meters per year by 2015. According to “2014-2016年新型顯示產業創新發展行動計劃” (2014-2016 New Display Industry Innovative Development Plan*) jointly published by the National Development and Reform Commission of the PRC and the Ministry of Industry and Information Technology of the PRC in October 2014, the PRC Government targeted to raise the total revenue of TFT-LCD glass substrate industry in the PRC to RMB300 billion and attain a 20% market share in the industry while each of the two leading manufacturers in the PRC could achieve total revenue of RMB30,000 million by 2016.

The solar power industry in China

The solar industry in China has been growing rapidly since 2009. With reference to the “國務院關於促進光伏產業健康發展的若干意見” (Opinions from the National Council regarding the promotion of healthy development of photovoltaic industry*) issued by the National Council in June 2013, the PRC government aimed to boost up the growth of the photovoltaic industry through setting up various guidelines and launching supportive schemes and policies, including but not limited to the feed-in tariff subsidizing and preferential tax policies to speed up the ever-growing China domestic solar energy market. The total annual installation of PV for 2013 is estimated to approach 9.5 GW, a 58 times increase as compared to the level in 2009, and China has become the one of the top 3 solar energy markets in the world.

According to the China national 12th Five-Year-Plan, the total installed solar power capacity would reach the level of 21 GW by 2015, and further to beyond 50 GW by 2020, and the China National Energy Administration announced in January 2014 that such target capacity by 2015 has been revised and increased to 35 GW. A primary goal of the Chinese Government is environmental protection, and using renewable energy is considered one of the most effective methods in doing so. As such, the Chinese Government targets to raise the share of renewable energy in total primary energy consumption from 9.9% in 2009 to 15% by 2020. With wind power and hydropower approaching their growth limits, and the slowing down of the development of nuclear power due to the failure of Fukushima No. 1 Nuclear Power Plant, solar power would be expected to be the primary renewable energy in China going forward. Given the rapid development in solar industry and the growing trend in using renewable energy in China, we are of the view that the Group could benefit from the policies of the Chinese Government in developing its potential projects.

5. *Our analysis*

As set out in the Letter from the Board, the Company's future business orientation has been determined to be on the new energy and new materials sectors. The Proposed Disposal represents an opportunity for the Company to dispose of its TFT-LCD glass substrate business, which is currently carried out by the Group through the A Share Company and its subsidiaries. Upon completion of the Proposed Disposal, the solar photovoltaic glass business and the luminous materials and other new materials business and the trading of liquid crystal related products business would become the principal businesses of the Group. Such principal businesses of the Group would tie in with the Company's new strategy to develop in the new energy and new material sectors.

The Proposed Disposal will help to streamline the shareholding structures between IRICO Group and the two listed companies, namely the Company and the A Share Company. Upon completion of the Proposed Disposal, the Company and the A Share Company would be able to operate their respective capital and assets independently and reduce management costs.

Upon completion of the Proposed Disposal, the Group expects to proactively expand to the upstream and downstream fields of solar photovoltaic glass and other new materials. The Proposed Disposal will also help the Group to reduce financial expenses and optimize its structure of assets and liabilities.

The streamlined strategy of the Company to focus on the new energy and new materials businesses may enhance the Company's profile amongst investors, particularly investors specializing in the new energy sector. This may in turn create value to the Shareholders of the Company and strengthen the Company's fund raising capability in the capital market.

Based on the above reasons and benefits, the Directors believe that the terms of the Proposed Disposal are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

We concurred with the view of the Directors that the Proposed Disposal represents an opportunity for the Group to divest the TFT-LCD glass substrate business and to align with the Group's strategy to develop in the new energy and new material sectors.

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As we noted from the financial information of the A Share Company, its revenue had been on a declining trend in the previous four years ended 31 December 2014 and the operating losses of the A Share Company had been enduring in each of the five years ended 31 December 2014. As advised by the Company, the A Share Company will continue to operate the TFT-LCD glass substrate production and sales business in the year 2015 and currently, there is no intention to change its business strategies and direction significantly. It is the current plan of the A Share Company to achieve a target production to sales ratio of over 90% in respect of the TFT-LCD glass substrate business in the year 2015. As advised by the Company, the A Share Company is currently in negotiation with potential customers for entering into any long-term sales contract and it is uncertain whether the A Share Company is able to achieve such target which may affect the financial conditions and operating results of the A Share Company. According to Display Search, the global TFT-LCD glass substrate market is currently dominated by international glass manufacturing giants which in aggregate represent more than 95% of the overall market share. Such international giants have a long-term history in the industry with abundant resources to invest in the research and development of the high-end technology of TFT-LCD glass substrate which enabled them to take advantage in the technology-specific industry and maintained their dominance in the industry for a long period of time. Although the PRC government has launched a series of policies to subsidize the development of the high-end TFT-LCD glass substrate products in previous years, the technology on the TFT-LCD glass substrate industry in the PRC is still lagging behind the international giants. In order to catch up with the international giants and achieve its economies of scale in the production of high — end TFT-LCD glass substrate products, the A Share Company is required to further invest substantially in the development of the high-end TFT-LCD glass substrate products and upgrade its production lines. However, given the current financial position of the A Share Company and the heavily indebted financial position of the Group, it may be difficult for the A Share Company and the Group to finance the investments internally or to obtain any external financing in order to expand into the market of high-end TFT-LCD glass substrate products and attain a sizeable market share in the industry. Further, in the midst of the competitive environment in the domestic TFT-LCD glass substrate industry and the dominance by the international giants, it is also uncertain whether the A Share Company could achieve a positive return from the investment and thereby resulting in a turnaround in its financial results in the near future. The Proposed Disposal represents an opportunity for the Group to divest from the TFT-LCD glass substrate business and shift its focus onto the new energy and new material sectors which would have better growth prospects and market potentials.

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On the other hand, as set out in the Letter from the Board, the Company intends to use the net proceeds from the Proposed Disposal as to (i) approximately 23% for the repayment of the outstanding indebtedness of the Company; (ii) approximately 43% for the construction and production in relation to solar photovoltaic glass projects; (iii) approximately 11% for other production projects of the Remaining Group, mainly including the production projects of solar photovoltaic power plants; and (iv) approximately 23% to supplement the working capital of the Company and other general corporate purposes.

As we noted from the Group's financial information, the Group was heavily indebted in bank loans and other borrowings and it was in a net current liabilities position as at 31 December 2014. The repayment of the outstanding indebtedness from the net proceeds of the Proposed Disposal could reduce the finance costs arising from the borrowings and improve the overall financial position of the Group. In addition, we consider that the net proceeds from the Proposed Disposal can offer the Company with ample financial resources to proactively expand to the upstream and downstream fields of solar photovoltaic glass and other new materials. As set out in Appendix I to the Circular, in respect of solar photovoltaic industry, the operation of the Hefei photovoltaic project will commence in 2015, which is expected to result in a significant increase in the scale of the Group's photovoltaic glass production. Meanwhile, in 2015, the Group is expected to promote 12 Mega Watt solar photovoltaic power station construction project in Hefei and project of quartz sand in Hanzhong. In respect of new electronic materials business, the Group is expected to promote 1,000 tonnes expansion and renovation project of anode material of lithium battery so as to accelerate the new electronic materials business. Given the growing trend of the solar power industry in the PRC and the increasing target total installed solar power capacity as set out by the PRC government, there will be a strong demand for the solar power related products in the PRC and the Group could benefit from its investments.

Based on the above, we consider that the Proposed Disposal represents a good opportunity for the Company to focus on and strengthen its principal businesses whilst the net proceeds from the Proposed Disposal could be applied to repay the outstanding indebtedness of the Group and invest in the new energy and new materials sectors. In view that the Proposed Disposal would divest the non-core and under performing business of the Group and thus improving its financial performance, we are of the view that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

II. Terms of the Proposed Disposal

(i) *Consideration*

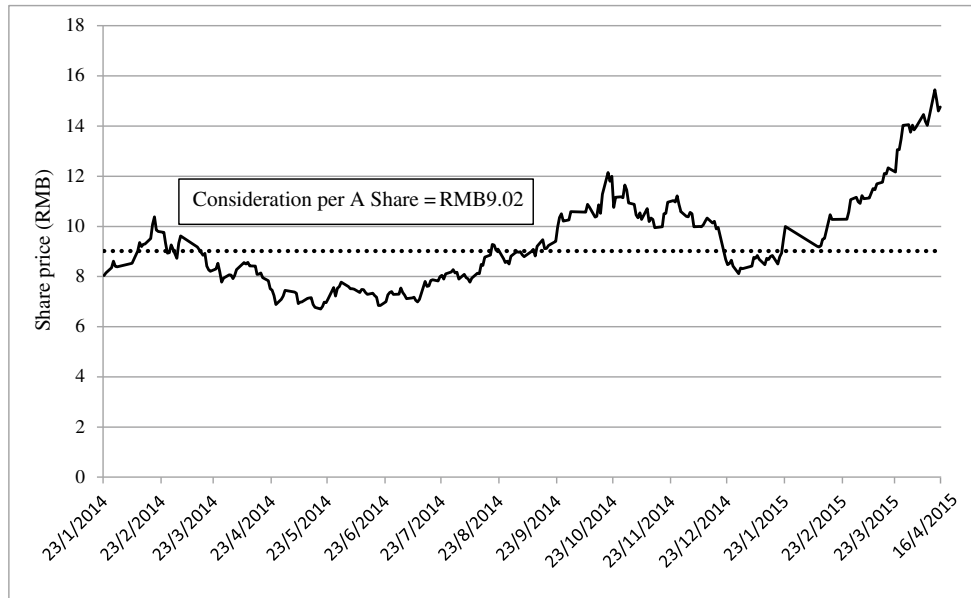
Pursuant to the Agreement, the consideration for the disposal of 99,460,000 A shares in the A Share Company is RMB897,129,200 (the “**Consideration**”), which shall be paid in cash by Xianyang IRICO to the bank account designated by the Company within thirty days from the effective date of the Agreement. The consideration was determined with reference to the weighted average closing price of the A Shares of the A Share Company (the “**A Share(s)**”) as quoted on the Shanghai Stock Exchange for the 30 trading days preceding the date of the Announcement of RMB9.02 per A Share. We note that the Consideration per A Share represents:

- (a) a discount of approximately 9.02% to the closing price of RMB10.00 per A Share as quoted on the Shanghai Stock Exchange on 23 January 2015, being the last trading date of the A Share prior to entering into the Agreement (the “**Last Trading Date**”);
- (b) a discount of approximately 1.31% to the average closing price of RMB9.140 per A Share as quoted on the Shanghai Stock Exchange for the last 5 trading days up to and including the Last Trading Date;
- (c) a discount of approximately 7.55% to the average closing price of RMB9.757 per A Share as quoted on the Shanghai Stock Exchange for the last 60 trading days up to and including the Last Trading Date;
- (d) a discount of approximately 9.64% to the average closing price of RMB9.982 per A Share as quoted on the Shanghai Stock Exchange for the last 90 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 1.65% over the average closing price of RMB8.874 per A Share as quoted on the Shanghai Stock Exchange for the last 180 trading days up to and including the Last Trading Date; and
- (f) a premium of approximately 237% over the consolidated net asset value of approximately RMB2.677 per A Share as at 31 December 2014, the date to which the latest audited financial results of A Share Company Group were made up.

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Share price performance of the A Share Company

In view that the 12-month benchmarking period is a commonly used tenure for analysis purpose, we consider that it is relevant to review the closing price level of the A Shares traded on the Shanghai Stock Exchange (“SSE”) during the 12-month period from 23 January 2014 to 23 January 2015 (being the Last Trading Date) and further up to the Latest Practicable Date (the “**Review Period**”) as follows:



Source: Google Finance¹

¹ Google Finance is a financial information, trading and stock information provider and is an independent third party not connected with the Directors and the Company

As shown in the chart above, the closing price of the A Share ranged from RMB6.71 on 19 May 2014 to RMB12.15 on 20 October 2014. During the Review Period, the closing price of the A Share increased abruptly from RMB8.00 per A Share on 23 January 2014 to RMB10.36 on 18 February 2014 before entering a declining trend from February 2014 to May 2014 and reached the bottom of around RMB6.71. It remained stable in June 2014 to early July 2014 before it registered an upward trend from RMB7.09 in mid-July to reach the highest closing price of RMB12.14 on 20 October 2014. Thereafter, the share price began to drop again and reached RMB8.12 on 29 December 2014. It bounced back abruptly in mid-January 2015 to reach RMB9.55 on the Last Trading Date and it continued the upward trend thereafter to reach RMB12.11 in March 2015.

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Meanwhile, we note that the Consideration per A Share represents a premium of approximately 34.4% over the lowest closing price per A Share and a discount of approximately 25.8% to the highest closing price per A Share during the Review Period. The Consideration per A Share also represents a discount of approximately 38.9% to the closing price of per A Share of RMB14.76 on the Latest Practicable Date.

(ii) *Comparison of the Consideration per A Share with comparables*

- *Price/earnings multiple*

As the A Share Company is principally engaged in the production, liquid crystal display substrate, electronic products and components and raw materials while its major products are TFT-LCD glass substrate as well as OLEDs, reference to price/earnings multiple is the most common approach adopted by the investment community in valuing such kind of revenue-generating entities. For the purpose of assessing the reasonableness of the Consideration per A Share by reference to the price/earnings multiple, we have identified (to the best of our knowledge) a list of seven companies listed on the Stock Exchange (“HKSE”) and the Shenzhen Stock Exchange (“SZSE”) which are principally engaged in similar business as that of the A Share Company (the “**Industry Comparable(s)**”) for analysis and such list of Industry Comparables is an exhaustive list.

We have reviewed and tabulated below the details of the Industry Comparables:

Company name	Stock code and places of listing	Principal activities	Closing share price as at the Last Trading Date	Market Capitalization as at the Last Trading Date (million)	Latest audited earnings (million)	Price/earnings multiple (times)
Tianma Microelectronics Co., Ltd (天馬微電子股份有限公司)	000050. SZSE	Research, development, manufacture and sale of microelectronic products and liquid crystal display modules	RMB18.97 (Note 1)	RMB21,469	RMB613	35.04
Success Electronics Ltd (深圳市宇順電子股份有限公司)	002289. SZSE	Research and development, design, manufacture and distribution of liquid crystal display modules.	RMB19.86	RMB3,711	RMB8	460.10
Shenzhen Microgate Technology Co., Ltd. (深圳市麥捷微電子科技股份有限公司)	300319. SZSE	Research, development, manufacture and sale of chip passive electronic components and liquid crystal display modules	RMB14.51	RMB2,013	RMB25	80.71

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Company name	Stock code and places of listing	Principal activities	Closing share price as at the Last Trading Date	Market Capitalization as at the Last Trading Date (million)	Latest audited earnings (million)	Price/earnings multiple (times)
Wuhu Token Sciences Co., LTD. (蕪湖長信科技股份有限公司)	300088. SZSE	Research, development, manufacture, distribution and services of vacuum thin film materials for panel displays	RMB16.42	RMB8,435	RMB264	32.01
Dongxu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司)	000413. SZSE	Production and sale of electric vacuum glass devices and relevant electronic components, as well as the development, manufacture and sale of flat panel display glass substrate and relevant equipment, including TFT-LCD glass substrates, glass substrate outfit, A-frame, overflow brick, glass tube, among others.	RMB7.67 (Note 2)	RMB20,418	RMB881	23.19
Vtron Technology Gies Ltd (廣東威創視訊科技股份有限公司)	002308. SZSE	Research, development, production and distribution of video wall (VW) series, interactive digital board (IDB) series and related software, as well as the provision of the related services. Its VW products are primarily applied in military, electric power, transportation, energy, security and other industries. In addition, the Company also provides liquid crystal display (LCD) tiled display products. The Company mainly distributes its products in domestic market.	RMB8.25 (Note 3)	RMB6,894	RMB302	22.84
Yeebo (International Holdings) Ltd. (億都(國際控股)有限公司)	259.HKSE	Manufacturing and sales of liquid crystal displays and liquid crystal displays modules products.	HK\$1.27	HK\$1,284	HK\$90	14.31
					Mean	95.46
					Median	32.01
					Maximum	460.10
					Minimum	14.31
The A Share Company	600707.SSE	Production, development and operation of liquid crystal display (LCD) substrate, electronic products and components and raw materials	10.00	7,368	-277	N/A
Consideration per A Share			9.02	6,646	-277	N/A

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Notes:

1. This company was suspended for trading on the Shenzhen Stock Exchange on the Last Trading Date. The stock price was quoted on 14 January 2015 which was the last trading date before its suspension.
2. This company was suspended for trading on the Shenzhen Stock Exchange on the Last Trading Date. The stock price was quoted on 24 November 2014 which was the last trading date before its suspension.
3. This company was suspended for trading on the Shenzhen Stock Exchange on the Last Trading Date. The stock price was quoted on 26 December 2014 which was the last trading date before its suspension.

Upon comparison, we note that most of the Industry Comparables have been profit-making in their respective year of the latest published financial reports while the A Share Company was loss-making for the year ended 31 December 2014. Thus, it is not feasible and meaningful to assess the Consideration per A Share using the price/earnings multiple approach.

- *Net asset value*

Due to the factors mentioned in the previous section, the price-earnings multiple cannot give a meaningful result in assessing the Consideration per A Share. As the A Share Company is principally engaged in the manufacturing industry, the analysis on the ratio of the market capitalization to the net asset value (the “**price-to-book ratio**”) is also a commonly used assessment approach for this type of company. We have made reference from an analysis on the price-to-book ratio on the exhaustive list of seven Industry Comparables, which is also a commonly adopted benchmark in the valuation of companies and we consider that it provides another angle for our analysis.

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We have reviewed and tabulated below the premium/(discounts) of the closing share prices of the Industry Comparables as at the Last Trading Date over/(to) their respective net asset value as reported in their latest published financial reports:

Company name	Stock code and places of listing	Principal activities	Closing share price as at the Last Trading Date (million)	Market Capitalization as at the Last Trading Date (million)	Latest published net asset value (million)	Premium/ (discount) of the closing share price on 23 January 2015 over/(to) the latest published net assets value (%)
Tianma Microelectronics Co., Ltd (天馬微電子股份有限公司)	000050. SZSE	Research, development, manufacture and sale of microelectronic products and liquid crystal display modules	RMB18.97 (Note 1)	RMB21,469	RMB8,561	151%
Success Electronics Ltd (深圳市宇順電子股份有限公司)	002289. SZSE	Research and development, design, manufacture and distribution of liquid crystal display modules.	RMB19.86	RMB3,711	RMB1,523	144%
Shenzhen Microgate Technology Co., Ltd. (深圳市麥捷微電子科技股份有限公司)	300319. SZSE	Research, development, manufacture and sale of chip passive electronic components and liquid crystal display modules	RMB14.51	RMB2,013	RMB344	485%
Wuhu Token Sciences Co., LTD. (蕪湖長信科技股份有限公司)	300088. SZSE	Research, development, manufacture, distribution and services of vacuum thin film materials for panel displays	RMB16.42	RMB8,435	RMB2,123	297%
Dongxu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司)	000413. SZSE	Production and sale of electric vacuum glass devices and relevant electronic components, as well as the development, manufacture and sale of flat panel display glass substrate and relevant equipment, including TFT-LCD glass substrates, glass substrate outfit, A-frame, overflow brick, glass tube, among others.	RMB7.67 (Note 2)	RMB20,418	RMB6,437	217%

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Company name	Stock code and places of listing	Principal activities	Closing share price as at the Last Trading Date (million)	Market Capitalization as at the Last Trading Date (million)	Latest published net asset value (million)	Premium/ (discount) of the closing share price on 23 January 2015 over/(to) the latest published net assets value (%)
Vtron Technology Gies Ltd (廣東威創視訊科技股份有限公司)	002308.SZSE	Research, development, production and distribution of video wall (VW) series, interactive digital board (IDB) series and related software, as well as the provision of the related services. Its VW products are primarily applied in military, electric power, transportation, energy, security and other industries. In addition, the Company also provides liquid crystal display (LCD) tiled display products. The Company mainly distributes its products in domestic market.	RMB8.25 (Note 3)	RMB6,894	RMB2,140	222%
Yeebo (International Holdings) Ltd. (億都(國際控股)有限公司)	259.HKSE	Manufacturing and sales of liquid crystal displays and liquid crystal displays modules products.	HK\$1.27	HK\$1,284	HK\$1,055	22%
					Mean	220%
					Median	217%
					Maximum	485%
					Minimum	22%
The A Share Company	600707.SSE	Production, development and operation of liquid crystal display (LCD) substrate, electronic products and components and raw materials	10.00	7,368	1,973	273%
Consideration per A Share			9.02	6,646	1,973	237%

Notes:

1. This company was suspended for trading on the Shenzhen Stock Exchange on the Last Trading Date. The stock price was quoted on 14 January 2015 which was the last trading date before its suspension.
2. This company was suspended for trading on the Shenzhen Stock Exchange on the Last Trading Date. The stock price was quoted on 24 November 2014 which was the last trading date before its suspension.
3. This company was suspended for trading on the Shenzhen Stock Exchange on the Last Trading Date. The stock price was quoted on 26 December 2014 which was the last trading date before its suspension.

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The premium of the closing share prices on the Last Trading Date, over the net asset value per share of the Industry Comparables range from approximately 22% to 485% and with a mean and medium of 220% and 217% respectively. Upon comparison, we note that the premium of the Consideration per A Share to the net asset value per A Share as at Last Trading Date of approximately 237% lies above the mean and median of those of the Industry Comparables and lies within the range of the Industry Comparables.

Based on the above analysis on the Industry Comparables, we consider that the Consideration per A Share is fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Mode of settlement of the Consideration

Pursuant to the Agreement, the Consideration shall be paid in cash by Xianyang IRICO to the bank account designated by the Company within thirty days from the effective date of the Agreement. We 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.

(iv) Basis of determination of the Consideration

Pursuant to the Agreement, the Consideration was determined with reference to the weighted average closing price of the A Share as quoted on the Shanghai Stock Exchange for the 30 trading days preceding the date of the Announcement of RMB9.02 per A Share. During the 12-month period from 23 January 2014 to 23 January 2015 (being the Last Trading Date) (the “**12-month Review Period**”), the A Shares were traded on the Shanghai Stock Exchange on every trading day and the daily trading volume of the A Shares ranged from approximately 1.3 million A Shares to approximately 42.7 million A Shares, representing approximately 0.18% to 5.81% of the total number of A Shares in issue as at the Latest Practicable Date while the average daily trading volume during the 12-month Review Period amounted to approximately 12.8 million A Shares, representing approximately 1.7% of the total number of A Shares in issue as at the Latest Practicable Date.

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For the purpose of assessing the level of the trading liquidity of the A Shares, we have performed a research on the average daily trading volume of the 50 constituent stocks included in the Shanghai Stock Exchange 50 Index (“**SSE 50 Index**”), a stock market index constructed by the Shanghai Stock Exchange which includes 50 largest stocks listed in the Shanghai Stock Exchange based on a combination of their market capitalization and liquidity.

We noted that the ratios of the average daily trading volume of the 50 constituent stocks in the SSE 50 Index to their respective total number of issued shares ranged from 0.04% to 3.51% while the mean and median of the relevant ratios were 1.11% and 1.08% respectively during the 12-month Review Period. Upon comparison, we note that the ratio of the average daily trading volume of the A Shares to the total number of A Shares in issue as at the Latest Practicable Date of was approximately 1.7% which lied above the mean and median of the relevant ratios of the 50 constituent stocks in the SSE 50 Index during the 12-month Review Period. Based on the above analysis, we consider that the A Shares are actively traded in the Shanghai Stock Exchange and thus the share price of the A Share should theoretically reflect the prevailing market conditions and the investors’ expectation on the performance of the A Share Company, thereby representing the fair value of the A Share Company.

On the other hand, such basis of determination of the Consideration per A Share is in compliance with the “國有股東轉讓所持上市公司股份管理暫行辦法” (The Interim Measure for the transfer of shares of listed companies by State-owned shareholder*) issued by the SASAC. Therefore, we consider that the basis of determination of the Consideration is fair and reasonable.

Based on the above analysis, we consider that the Consideration, which was determined based on the average closing price of the A Share thirty trading days preceding the date of the Announcement, 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

Immediately upon completion of the Proposed Disposal, the A Share Company will cease to be a subsidiary of the Company. The shareholding interest of the Company in the A Share Company will be reduced from 18.45% to 4.95%. The financial effects of the Proposed Disposal on the Group are as follow:

1. Earnings

The Group recorded consolidated audited net loss attributable to the Shareholders of approximately RMB814 million for the year ended 31 December 2014. The A Share Company recorded consolidated audited net loss attributable shareholders of the A Share Company of approximately RMB1,024 million. Immediately upon completion of the Proposed Disposal, the A Share Company will cease to be a subsidiary of the Company and the net loss of the A Share Company will not be consolidated into the Group. In addition, as set out in the Letter from the Board, it is expected that the Group will recognize a gain of approximately RMB683.9 million from the Proposed Disposal. The gain is calculated by reference to the net asset value of the A Share Company in the accounts as at 31 December 2014 prepared in accordance with the Hong Kong Financial Reporting Standards. Further, as set out in the Letter from the Board, a portion of the proceeds from the Proposed Disposal will be used for the repayment of the outstanding indebtedness of the Company which will reduce the finance costs of the Company. Based on the above, we consider that the Proposed Disposal will have an overall improvement on the earnings of the Group.

2. Net asset value

The Group had consolidated audited net assets of approximately RMB637 million as at 31 December 2014. 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 RMB683.9 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*

The Group had consolidated audited bank balances and cash of approximately RMB256 million as at 31 December 2014. 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 repayment of the outstanding indebtedness of the Company, construction and production in relation to solar photovoltaic glass projects and other production projects of the Remaining Group, and as the working capital of the Company.

4. *Gearing ratio*

According to the annual results announcement of the Company for the year ended 31 December 2014, the gearing ratio of the Group as at 31 December 2014 was 92.75%, which was derived by dividing the total liabilities of the Group as at 31 December 2014 of approximately RMB8,138 million by the total assets of the Group as at 31 December 2014 of approximately RMB8,775 million. As the change in the magnitude of the total liabilities and total assets of the Group upon completion of the Proposed Disposal is not known as at the Latest Practicable Date, it is uncertain whether the gearing ratio of the Group will increase or decrease.

Based on the above analysis, the Proposed Disposal would have (i) an overall improvement on the earnings of the Group, (ii) an overall improvement on the Group's net asset value; and (iii) an increase in cash inflow to the Group. On such basis, we are of the view that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Proposed Disposal would enable the Company to focus on its principal businesses on the new energy and new material sectors 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 and the Consideration is reasonably and fairly determined; and
- (iii) the Proposed Disposals would have improvement on the earnings, net asset value and cashflow position of the Group,

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we consider that the Proposed Disposals are conducted in the ordinary and usual course of business and 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. 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.

Yours faithfully,

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 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions 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 10 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

I. FINANCIAL INFORMATION OF THE GROUP FOR THE LAST THREE YEARS

The Company is required to set out in this circular the information for the last three financial years with respect to the Group's profits and losses, financial record and position, and the latest published audited balance sheet together with the notes to the annual accounts for the latest financial year.

The audited consolidated financial statements together with relevant notes thereto of the Company for the years ended 31 December 2012, 2013 and 2014 have been disclosed in the following documents published on the Stock Exchange' website (<http://www.hkexnews.hk>) and the Company's website (<http://www.irico.com.cn/>):

- Annual report of the Company for the year ended 31 December 2014 published on 1 April 2015 (Page 59 to page 185);
- Annual report of the Company for the year ended 31 December 2013 published on 11 April 2014 (Page 59 to page 173);
- Annual report of the Company for the year ended 31 December 2012 published on 29 April 2013 (Page 63 to page 181).

II. STATEMENT OF INDEBTEDNESS**Borrowings**

As at 28 February 2015, being the latest practicable date for the purpose of this indebtedness statement, the Group had total outstanding bank borrowings of approximately RMB3,580,001,000. RMB4,019,161,000 of the total borrowings are due within one year and the remaining of approximately RMB2,021,460,000 falls due within the second to the fifth year.

As at 28 February 2015, the Group had total outstanding other borrowings of approximately RMB2,460,620,000 and the total amount is due within one year.

— Bank borrowings:

The Group's bank borrowings of approximately RMB2,295,340,000 in aggregate were secured by certain of the Group's property, plant and equipment, leasehold land and land use rights with net carrying value of approximately RMB2,179,018,000 in aggregate.

The remaining balance of the Group's bank borrowings of approximately RMB1,284,661,000 were unsecured, with which approximately RMB968,980,000 were guaranteed by the immediate holding company.

— **Other borrowings:**

As at 28 February 2015, the balance of the Group's other borrowings of approximately RMB262,420,000 were unsecured and guaranteed by the immediate holding company.

Commitments, guarantees and contingent liabilities

As at 28 February 2015, the Group had total future minimum lease payments under non cancelable operating leases in respect of rented premises which fall due within one year amounting to approximately RMB13,201,000 and commitment to future capital expenditures of approximately RMB472,032,000 in aggregate, which has been contracted but not provided in the Group's unaudited consolidated statement of financial position.

Apart from the material litigation as stated in Appendix II "General Information" of this circular, the Group had no other material contingent liabilities as at 28 February 2015.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables, as at the close of business on 28 February 2015, being the latest practicable date for ascertaining certain information relating to this indebtedness statement prior to printing of this circular, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

III. WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's internal resources, existing available financial resources, financial support from its holding company, available banking facilities, cash and cash equivalents on hands and the estimate net proceeds from the Proposed Disposal, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

IV. FINANCIAL EFFECTS AND BUSINESS OUTLOOK**Financial effects**

The main purpose of the Proposed Disposal is to ensure specialisation operation to two listed companies, namely the Company and the A Share Company. Moreover, the Company will be able to concentrate on the development in the new energy and new materials business, so as to better develop its core business. The Company and the A Share Company, the two listed companies, will be able to operate independently and thus, the management costs will be reduced. The Company expects that the proceeds from the Proposed Disposal may lead to material impacts on the results and consolidated revenue of the Company in 2015.

Upon completion of the Proposed Disposal, the A Share Company will cease to be a subsidiary of the Company. The shareholding interest of the Company in the A Share Company will be reduced from 18.45% to 4.95%. The net proceeds generated by the Company from the Proposed Disposal may be used by the Company according to its operation and development need.

Earnings

For the year ended 31 December 2014, prepared in accordance with HKFRS, the Group recorded an audited loss of approximately RMB1,692.34 million, while the unaudited loss of the Remaining Group was approximately RMB640.75 million.

Total assets

As at 31 December 2014, prepared in accordance with HKFRS, the audited total assets of the Group were approximately RMB8,774.68 million, while the unaudited total assets of the Remaining Group were approximately RMB3,496.49 million.

Liabilities

As at 31 December 2014, prepared in accordance with HKFRS, the audited liabilities of the Group were approximately RMB8,138.1 million, while the unaudited liabilities of the Remaining Group were approximately RMB3,170.04 million.

Net assets

As at 31 December 2014, prepared in accordance with HKFRS, the audited net assets of the Group were approximately RMB636.58 million, while the unaudited net assets of the Remaining Group were approximately RMB326.45 million.

Business outlook of the Company

Look into 2015, the Group will continue to adjust assets and personnel structure, among which, the Company proposed to transfer 13.5% A shares in the A Share Company, currently a subsidiary of the Company. Upon the completion of the Proposed Disposal, the results of the A Share Company will no longer be consolidated into the accounts of the Company.

The Group will further focus on its main businesses of new energy and new electronic materials. In respect of solar photovoltaic industry, the operation of the Hefei photovoltaic project will commence, which is expected to result in a significant increase in the scale of the Group's photovoltaic glass production. Meanwhile, the Group is expected to extend its production chain of solar photovoltaic glass to the upper and lower streams proactively. In 2015, the Group is expected to promote 12 MW solar photovoltaic power station construction project in Hefei and project of quartz sand in Hanzhong. In respect of new electronic materials business, the Group is expected to promote 1,000 tonnes expansion and renovation project of anode material of lithium battery so as to accelerate the new electronic materials business.

V. MATERIAL ADVERSE CHANGE

As at 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 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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) Share Appreciation Rights Plan of Directors, Supervisors and Senior Management**

Pursuant to the share appreciation rights plan of the Company (details of which were set out in the Company's prospectus dated 8 December 2004), as at the Latest Practicable Date, the following Directors, supervisors and senior management members were granted share appreciation rights by the Company as follows:

Name	Number of Share Appreciation Rights	Note
	(Shares)	
Guo Mengquan	400,000	Director
Zhang Junhua	530,000	Director
Tang Haobo	200,000	Supervisor
Zou Changfu	300,000	Senior Management
Ma Jianchao	200,000	Senior Management
Chu Xiaohang	200,000	Senior Management

(b) Interests and Short Positions of Directors, Supervisors, Chief Executive and Senior Management

Save as disclosed above, 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 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), or which was otherwise required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was 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. Guo Mengquan, Mr. Zhang Junhua, Mr. Si Yuncong, Mr. Huang Mingyan and Mr. Jiang Ahe act as the Directors of the Company. Mr. Guo Mengquan concurrently acts as the managing director of IRICO Group, Mr. Zhang Junhua, Mr. Si Yuncong and Mr. Huang Mingyan concurrently act as the deputy general managers of IRICO Group, and Mr. Jiang Ahe concurrently acts as the deputy chief accountant and the manager of the assets finance department of IRICO Group. Mr. Zhu Yiming acts as the supervisor and the chairman of the supervisory committee of the Company, and he concurrently acts as the director, the executive deputy general manager and the chief accountant 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. COMPANY SECRETARY

Mr. Chu Xiaohang, aged 45, is the company secretary of the Company. He is responsible for the securities management, legal matters and investor relations of the Company. Mr. Chu joined the Group in July 1991. Mr. Chu graduated from Northwest University with a bachelor's degree in computer science and is a senior engineer. He obtained a master's degree in project management from the Graduate School of Chinese Academy of Sciences. He served as a senior project management engineer in the strategic planning department of IRICO Group and head of the office of the board of directors of the Company. He acted as our joint company secretary of the Company from November 2009 to November 2012. On 20 November 2012, he was appointed as the sole company secretary of the Company.

4. 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 was a controlling shareholder).

5. 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 2014 (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.

6. CONSENT AND QUALIFICATION OF EXPERT

- (a) The following are the qualifications of the expert who has 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

- (b) As at the Latest Practicable Date, the above expert 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) The above expert 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.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company 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)).

8. MATERIAL CONTRACTS

The particulars of all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the issue of this circular are set out as follows:

- (a) On 24 December 2013, the A Share Company entered into an equity transfer agreement in relation to the disposal of 5.01% equity interests in Western Trust Co., Ltd* (西部信託有限公司) at a consideration of approximately RMB245,314,000 with IRICO Group.

On 24 December 2013, the A Share Company entered into an asset transfer agreement in relation to the disposal of the industrial properties and supporting facilities on the west side of 1st Caihong Road, Qindu district, Xianyang at a consideration of approximately RMB214,533,400 with Xianyang IRICO.

On 11 April 2014, the A Share Company entered into an equity transfer agreement in relation to the disposal of 51% equity interests in IRICO (Foshan) Plat Panel Display Co., Ltd* (彩虹(佛山)平板顯示有限公司) at a consideration of RMB1 with IRICO Group.

For details, please refer to the announcements of the Company dated 31 July 2013, 22 August 2013, 23 August 2013, 24 December 2013 and 17 April 2014 and the circular of the Company dated 26 September 2013.

- (b) On 13 May 2014, the Company entered into an agreement in relation to the acquisition of 10% equity interest in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司) at a consideration of RMB14.6 million with Shenzhen Hengchangyuan Trading Co., Ltd* (深圳市恒昌源貿易有限公司). For details, please refer to the announcement of the Company dated 13 May 2014.
- (c) On 30 May 2014, the Company entered into a conditional equity transfer agreement in relation to the disposal of the Company's entire 75% equity interest in Xi'an Cairui Display Technology Co., Ltd* (西安彩瑞顯示技術有限公司) at a consideration of RMB30.51 million with Xianyang IRICO.

On 30 May 2014, the Company entered into a conditional equity transfer agreement in relation to the disposal of the Company's entire 100% equity interest in Xi'an IRICO Zixun Co., Ltd* (西安彩虹資訊有限公司) at a consideration of RMB187.86 million with Xianyang IRICO.

On 30 May 2014, the Company entered into a conditional equity transfer agreement in relation to the disposal of the 90% equity interest in Kunshan IRICO Industrial Co., Ltd* (昆山彩虹實業有限公司), of which 80% is directly held by the Company and 10% is directly held by Xianyang IRICO Electronics Shadow Mask Co., Ltd* (咸陽彩虹電子網版有限公司) at a consideration of RMB82.74 million with Xianyang IRICO Electronics Shadow Mask Co., Ltd* (咸陽彩虹電子網版有限公司) and Xianyang IRICO.

On 30 May 2014, the Company entered into a conditional equity transfer agreement in relation to the disposal of the Company's entire 20% equity interest in Sichuan Century Shuanghong Display Device Co., Ltd.* (四川世紀雙虹顯示器件股份有限公司) at a consideration of RMB90.95 million with IRICO Group.

For details, please refer to the announcement of the Company dated 30 May 2014 and the circular of the Company dated 30 June 2014.

- (d) On 30 December 2014, the Company entered into an asset transfer agreement in relation to the disposal of all the assets of the IRICO Accessory Factory* (彩虹零件廠), which are the 374 equipment relating to the pressing business in the IRICO Accessory Factory* (彩虹零件廠), at a consideration of RMB9,661,497 with Xianyang Cailian Packaging Material Company Limited* (咸陽彩聯包裝材料有限公司). For details, please refer to the announcement of the Company dated 30 December 2014.
- (e) On 6 February 2015, the Company entered into the Agreement in relation to the disposal of 99,460,000 A shares in the A Share Company, at a consideration of RMB897,129,200 (i.e. RMB9.02 per A share) with Xianyang IRICO.

As at the Latest Practicable Date and save as disclosed above, the Directors were not aware of any material contract (not being contracts entered into in the ordinary course of business) having been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

9. LITIGATIONS

As at the Latest Practicable Date and save as disclosed below, no member of the Group is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against the Group.

Claims by Fanshawe College against the Company and the A Share Company

The Company and the A Share Company received a statement of claim from the Ontario Superior Court of Justice Canada in respect of a litigation brought by the Fanshawe College of Applied Arts and Technology (“**Fanshawe College**”) in August 2009 and July 2009 respectively. The plaintiff accused various global cathode ray tube (CRT) manufacturing enterprises, including the Company and A Share Company, of a conspiracy to sustain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and to enter into agreements raising the price of CRT to an unreasonable level. As at the Latest Practicable Date, the claim amount has not been determined by the plaintiff. The Company’s preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

Claims by Curtis Saunders against the Company and the A Share Company

In January 2010, IRICO Group, the Company and the A Share Company received a statement of class action from Vancouver Registry of the Supreme Court of British Columbia, Canada (加拿大不列顛哥倫比亞省高級法院溫哥華市書記官處). Curtis Saunders, the plaintiff, accused over 50 global CRT manufacturing enterprises, including IRICO Group, the Company and the A Share Company, of a conspiracy or a collusion to enter into agreements raising the price of CRT to an unreasonable level and lifting the profits from selling CRT products from 1 January 1995 to 1 January 2008. As at the Latest Practicable Date, the claim amount has not been determined by the plaintiff. The Company’s preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

Claims by American Crago Company against the A Share Company

In January 2008, the A Share Company, received a statement of class action from the U.S. District Court, Northern District of California in respect of a class action brought by American Crago Company on behalf of itself and other companies for the similar issue. The plaintiff accused various CRT manufacturing enterprises, including A Share Company, of a conspiracy to control the market which was in violation of antitrust law. As at the Latest Practicable Date, the claim amount has not been determined by the plaintiff. The Company and the A Share Company’s preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

Save as previously disclosed by the Company, there has been no material progress of the above pending litigations up to the Latest Practicable Date.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are 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:

- (a) the articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Octal Capital, the text of which is set out in this circular;
- (d) the written consents referred to in section 6 of this Appendix II;
- (e) the annual reports of the Group for each of the two years ended 31 December 2013 and 31 December 2014;
- (f) the material contracts referred to in section 8 of this Appendix II;
- (g) the Agreement; and
- (h) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A which has been issued since the date of the latest published audited accounts of the Company.