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

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

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IRICO

彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED DISPOSAL OF 51% EQUITY INTEREST IN ZHUHAI CAIZHU**

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



A letter from the Board is set out on pages 1 to 9 of this circular. A letter from the Independent Board Committee is set out on pages 10 to 11 of this circular. A letter from Octal Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 29 of this circular.

The EGM will be held at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC at 9:00 a.m., on Tuesday, 26 June 2018. Please refer to the notice of the EGM dated 11 May 2018 published on the websites of the Stock Exchange and the Company.

1 June 2018

* For identification purpose only

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DEFINITIONS

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

“Beijing Pan-China”	Beijing Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司), an independent valuer qualified in the PRC
“Board”	the board of Directors
“CEC”	China Electronics Corporation* (中國電子信息產業集團有限公司), a wholly state-owned company incorporated in the PRC and the ultimate controlling Shareholder holding approximately 72.69% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics, as at the Latest Practicable Date
“Company”	IRICO Group New Energy Company Limited* (彩虹集團新能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange
“connected persons”	has the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Tuesday, 26 June 2018 to consider and, if thought fit, to approve the Proposed Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 3 May 2018 entered into between the Company and Zhongdian IRICO in relation to the Proposed Disposal
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng who are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Proposed Disposal

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than CEC and its associates (including IRICO Group and Rui Bou Electronics) who will abstain from voting on the relevant resolution in relation to the Proposed Disposal at the EGM
“IRICO Group”	IRICO Group Company Limited* (彩虹集團有限公司), formerly known as IRICO Group Corporation* (彩虹集團公司), a wholly state-owned enterprise and the controlling Shareholder of the Company directly and indirectly holding approximately 72.69% of the issued share capital of the Company as at the Latest Practicable Date
“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer who prepared the property valuation report of Zhuhai Caizhu
“Kunshan IRICO”	Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司), a limited liability company incorporated in the PRC
“Latest Practicable Date”	28 May 2018, being the latest practicable date for ascertaining certain information included herein before the printing of this circular
“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 Equity Transfer Agreement in relation to the Proposed Disposal
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“Proposed Disposal”	the proposed disposal of 51% equity interest in Zhuhai Caizhu by the Company to Zhongdian IRICO pursuant to the Equity Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Rui Bou Electronics”	Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司), a private company limited by shares incorporated in Hong Kong and a wholly-owned subsidiary of IRICO Group as at the Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongdian IRICO”	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), which is directly held as to 72.08% by CEC and 27.92% by IRICO Group as at the Latest Practicable Date and a connected person of the Company
“Zhuhai Caizhu”	Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent

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

LETTER FROM THE BOARD



IRICO

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

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

(Stock Code: 0438)

Directors

Executive Directors

Si Yuncong (*Chairman*)

Zou Changfu

Non-executive Directors

Huang Mingyan

Chen Changqing

Independent non-executive Directors

Feng Bing

Wang Jialu

Wang Zhicheng

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No.1 Caihong Road

Xianyang, Shaanxi Province

The People's Republic of China

Postal code: 712021

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9 Queen's Road Central

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

1 June 2018

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED DISPOSAL OF 51% EQUITY INTEREST IN ZHUHAI CAIZHU**

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcement of the Company dated 3 May 2018 in relation to the Proposed Disposal.

On 3 May 2018, the Company entered into the Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 51% equity interest in Zhuhai Caizhu at a cash consideration of RMB131,882,093.71. Upon completion of the Proposed Disposal, the Company will hold 49% equity interest in Zhuhai Caizhu. As such, Zhuhai Caizhu will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

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

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

II. PROPOSED DISPOSAL

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

Date:	3 May 2018
Parties:	(1) the Company, as the vendor (2) Zhongdian IRICO, as the purchaser
Assets to be disposed of:	Subject to the terms and conditions of the Equity Transfer Agreement, the Company agreed to sell and Zhongdian IRICO agreed to acquire 51% equity interest in Zhuhai Caizhu.

LETTER FROM THE BOARD

Consideration:

Pursuant to the Equity Transfer Agreement, the consideration for the Proposed Disposal is RMB131,882,093.71.

The consideration was determined based on arm's length negotiations between the Company and Zhongdian IRICO with reference to the appraised net assets value of Zhuhai Caizhu as at 31 December 2017 (i.e., the valuation base date) of RMB258,592,340.61 as set out in the assets valuation report prepared by an independent and duly qualified PRC valuer using the asset-based approach, the summary of which is set out in Appendix I to this circular. The consideration is calculated by multiplying such appraised net assets value by 51%.

The Board is of the view that it is fair and reasonable to attribute nil value to the controlling element in the consideration (i.e. Zhongdian IRICO is not obliged to pay the control premium) on the basis of the following reasons:

- (i) The subject of the assets valuation is the entire equity interests owned by shareholders of Zhuhai Caizhu as at 31 December 2017. Based on the evaluation of the management of the Company, it recognized that the value of the control has been contained in the appraised net assets value of Zhuhai Caizhu (i.e. RMB258,592,340.61);
- (ii) In order to facilitate its strategic transformation, the Company exerts great efforts in development of the two principal businesses, namely, photovoltaic business and new material business, and has formed a vertical industrial chain covering the whole industry centered on photovoltaic glass and extended towards the two directions, one for upstream quartz sand and the other for downstream photovoltaic cells, photovoltaic modules and photovoltaic power station. As Zhuhai Caizhu divested its traditional businesses, the relevant businesses development did not meet the Company's expectation due to the impacts of the industrial standards, size and market, resulting in its current suspension of operation and mismatch of the relevant businesses with development of the principal businesses of the Company;

LETTER FROM THE BOARD

- (iii) Currently, with a large part of the revenue derived from property lease income, Zhuhai Caizhu scarcely made any contribution to the results of principal businesses of the Company. Upon completion of the Proposed Disposal, the Company will place emphasis on development of the two principal businesses, namely, photovoltaic business and new material business by means of efficient allocation of resources and concentration of its strength on growth of principal businesses. With stronger and larger size of photovoltaic business as well as increasing core competition embedded on the principal businesses, the Company can maximize its operation capability;
- (iv) Considering that Zhuhai Caizhu is located in the coastal city Zhuhai City, Guangdong Province, and its main assets comprise buildings and lands, the Board is of the view that the retention of 49% equity interest in Zhuhai Caizhu enables the Company to obtain income derived from its future development of properties and lands and in turn replenish the future income and cash flow of the Company in the long run; and
- (v) From the perspective of the financial statements, the fair value of remaining 49% equity interest after the disposal of 51% equity interest in Zhuhai Caizhu needs to be remeasured and the difference between such fair value and the holding cost will be recognized as an investment gain. Therefore, the disposal of 51% equity interest in Zhuhai Caizhu or the entire equity does not have any impact on the recognition of investment gain.

LETTER FROM THE BOARD

Payment:

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

The Company shall cooperate with Zhongdian IRICO in relation to filing for the registration of change in equity interest in Zhuhai Caizhu with the industry and commerce administration authority within thirty business days from the effective date of the Equity Transfer Agreement.

Conditions precedent:

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

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

As at the Latest Practicable Date, the assets valuation report of Zhuhai Caizhu has been filed with and approved by CEC. Thus, if the resolution regarding the Proposed Disposal could be approved by the Independent Shareholders at the EGM to be held on 26 June 2018, all the conditions precedent described above are expected to be fulfilled on the same day.

LETTER FROM THE BOARD

III. GENERAL INFORMATION

(i) The Company

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

(ii) Zhongdian IRICO

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

(iii) Zhuhai Caizhu

Zhuhai Caizhu is principally engaged in the production, processing and sales of glass and glass products; manufacture of household electric appliances and electronic components; and sales, property management and domestic trade, etc.

The audited net assets value of Zhuhai Caizhu as at 31 December 2017 was RMB113,715,322.44. The audited net profits of Zhuhai Caizhu before and after taxation for the year ended 31 December 2017 were RMB292,216.97 and RMB292,216.97, respectively. The audited net profits of Zhuhai Caizhu before and after taxation for the year ended 31 December 2016 were RMB14,724,136.76 and RMB14,284,766.56, respectively.

The financial data in relation to Zhuhai Caizhu as disclosed in this circular were prepared in accordance with China Accounting Standards for Business Enterprises. The Company confirms that there is no principal difference between the accounting standards of the Company (i.e. Hong Kong Financial Reporting Standards) and Zhuhai Caizhu which may have a material impact on the financial data of Zhuhai Caizhu disclosed in this circular.

LETTER FROM THE BOARD

The assets of Zhuhai Caizhu mainly consist of two properties. The properties held by Zhuhai Caizhu comprise: (i) three industrial buildings with a total gross floor area of approximately 7,907.25 sq.m., comprising Levels 1 to 5 of an 8-storey industrial building (the “**main building**”) and two 2-storey industrial buildings connecting the main building on the two sides; and (ii) an industrial complex, comprising with a parcel of land with a site area of approximately 16,312.5 sq.m. and 5 buildings with a total gross floor area of approximately 9,771.41 sq.m.. Such properties are located at No. 16 and 18 Jingle Road, Jida Area, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC and No. 10 Jialian Road, Tanzhou Town, Zhongshan City, Guangdong Province, the PRC, respectively. A portion of the three industrial buildings is currently occupied by Zhuhai Caizhu for office use and the rest are rented to various tenants; while a portion of the industrial complex is currently occupied by Zhuhai Caizhu for office use and the rest is rented to two independent third parties for office and ancillary uses.

As at 31 March 2018, the aggregate appraised market value of properties of Zhuhai Caizhu was approximately RMB150,560,000. Please refer to the property valuation report of Zhuhai Caizhu set out in Appendix II to this circular for further details.

IV. REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

Trading contributed a large part of the revenue of Zhuhai Caizhu for the last three years. In particular, it was mainly engaged in the trading of computers, computer accessories and TV sets before 2015, the trading of computers, computer accessories and building materials in 2016 and the trading of coal and solar modules in 2017. The proportion of revenue from trading of products witnessed a decline year by year while the property assets are primarily for lease. At present, revenue of Zhuhai Caizhu is mainly derived from the income gained from leasing of buildings, which does not match the principal businesses of photovoltaic business and new material business of the Company. Meanwhile, the fair value of remaining 49% equity interest after the disposal of 51% equity interest in Zhuhai Caizhu needs to be remeasured and the difference between such fair value and the holding cost will be recognized as investment gain. Therefore, the disposal of 51% equity interest in Zhuhai Caizhu or the entire equity does not have any impact on the recognition of investment gain. In addition, considering that Zhuhai Caizhu is located in the coastal city Zhuhai City, Guangdong Province, and its main assets comprise buildings and lands, the Directors are of the view that the retention of 49% equity interest in Zhuhai Caizhu enables the Company to obtain income derived from its future development of properties and lands and in turn replenish the future income and cash flow of the Company in the long run.

In view of the foregoing, the Company proposed to dispose of its 51% equity interest in Zhuhai Caizhu to Zhongdian IRICO, which is principally engaged in real estate development and property management under IRICO Group, which will in turn optimize the asset structure of the Company, revitalize assets and enhance the utilization efficiency of assets, thereby improving the results and replenishing the working capital of the Company.

LETTER FROM THE BOARD

The Company expects to recognize a gain from the Proposed Disposal of RMB144,382,992.43, which is calculated based on the consideration for the transaction and net assets value of the equity interests to be disposed of, taking into account gain from the remaining equity interests. The estimated gain of RMB144,382,992.43 is the sum of the following two parts: the first part is arrived at using the formula that the consideration for the disposal of 51% equity interest deducts the corresponding value of the net assets as at 31 March 2018 (i.e. $\text{RMB}131,882,093.71 - \text{RMB}114,209,348.18 \times 51\% = \text{RMB}73,635,326.14$); the second part is arrived at using the formula that the investment gain from the remaining 49% equity interest remeasured at the fair value (i.e. $(\text{RMB}258,592,340.61 - \text{RMB}114,209,348.18) \times 49\% = \text{RMB}70,747,666.29$).

The proceeds arising from the Proposed Disposal will be used to supplement working capital of the Company.

V. IMPLICATIONS UNDER THE LISTING RULES

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

Reference is made to the announcement of the Company dated 28 December 2017 regarding the transfer of assets in relation to power supply and distribution equipment to Shaanxi IRICO Energy Services Corporation* (陝西彩虹能源服務有限公司), a wholly-owned subsidiary of Zhongdian IRICO, and the circular of the Company dated 3 April 2017 regarding the disposal of 90% equity interest in Kunshan IRICO to Zhongdian IRICO (together, the “**Previous Transactions**”). Pursuant to Rule 14A.81 of the Listing Rules, the Proposed Disposal would be aggregated with the Previous Transactions and be treated as if they were one transaction for the purpose of Chapter 14A of the Listing Rules.

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

LETTER FROM THE BOARD

The Director, namely, Mr. Si Yuncong, by virtue of his positions as director of Zhongdian IRICO and general manager of IRICO Group which held 27.92% equity interest in Zhongdian IRICO as at the Last Practicable Date, may be considered as having a material interest in the Proposed Disposal. As such, he has abstained from voting on the Board resolution approving the Equity Transfer Agreement and the Proposed Disposal. Save as mentioned above, none of the other Directors has a material interest in the Proposed Disposal and thus no other Director has abstained from voting on such Board resolution.

CEC and its associates (including IRICO Group and its subsidiary, Rui Bou Electronics), holding an aggregate of approximately 72.69% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting on the resolution approving the Proposed Disposal at the EGM. Save as mentioned above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has any material interest in the Proposed Disposal and therefore will be required to abstain from voting to approve the resolution regarding the Proposed Disposal at the EGM.

VI. RECOMMENDATION

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

VII. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out in pages 10 to 11, the letter from Octal Capital set out in pages 12 to 29 and the other information set out in the appendices to this circular.

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

* *For identification purpose only*



IRICO

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

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

(Stock Code: 0438)

Legal address and the head office in the PRC:

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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

1 June 2018

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED DISPOSAL OF 51% EQUITY INTEREST IN ZHUHAI CAIZHU**

We refer to the circular of the Company dated 1 June 2018 (the “**Circular**”), of which this letter forms a part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Octal Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Equity Transfer Agreement and the Proposed Disposal contemplated thereunder. Details of the advice from Octal Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 12 to 29 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 recommendations given by Octal Capital, we consider that the terms of the Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable, and the Proposed Disposal under the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, but is not in the ordinary or usual course of business of the Company due to the nature of such transaction.

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

Yours faithfully,

IRICO Group New Energy Company Limited*

Feng Bing

Wang Jialu

Wang Zhicheng

Independent Board Committee

* *For identification purpose only*

LETTER FROM OCTAL CAPITAL

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



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

1 June 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF 51% EQUITY INTEREST IN ZHUHAI CAIZHU

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 1 June 2018 (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 3 May 2018, the Company entered into the Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 51% equity interest in Zhuhai Caizhu at a cash consideration of approximately RMB131,882,093.71 (the “**Consideration**”).

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

Reference is made to the announcement of the Company dated 28 December 2017 regarding the transfer of assets in relation to power supply and distribution equipment to Shaanxi IRICO Energy Services Corporation* (陝西彩虹能源服務有限公司), a wholly-owned subsidiary of Zhongdian IRICO, and the circular of the Company dated 3 April 2017 regarding the disposal of 90% equity interest in Kunshan

LETTER FROM OCTAL CAPITAL

IRICO to Zhongdian IRICO (together, the “**Previous Transactions**”). Pursuant to Rule 14A.81 of the Listing Rules, the Proposed Disposal would be aggregated with the Previous Transactions and be treated as if they were one transaction for the purpose of Chapter 14A of the Listing Rules.

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

Mr. Si Yuncong, by virtue of his positions as director of Zhongdian IRICO and general manager of IRICO Group which held 27.92% equity interest in Zhongdian IRICO as at the Latest Practicable Date, may be considered as having a material interest in the Proposed Disposal. As such, he has abstained from voting on the Board resolution approving the Equity Transfer Agreement and the Proposed Disposal. Save as mentioned above, none of the other Directors has a material interest in the Proposed Disposal and thus no other Director has abstained from voting on such Board resolution.

We are not connected with the Directors, chief executive and substantial shareholders of the Company, Zhongdian IRICO and IRICO Group or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to the Company (the “**Previous Engagement**”) in respect of a discloseable and connected transaction (for details please refer to the circular of the Company dated 3 April 2017). Under the Previous Engagement, 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 any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Company and its subsidiaries (the “**Group**”), including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We

LETTER FROM OCTAL CAPITAL

have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Zhongdian IRICO, IRICO Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

PRINCIPLE FACTORS AND REASONS CONSIDERED IN RELATION TO THE PROPOSED DISPOSAL

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

I. Background of and reasons for the Proposed Disposal

1. *Principal activities and business of the Group*

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

Set out below is a summary of the audited consolidated financial information of the Company for the year ended 31 December 2015, 2016 and 2017 as extracted from the Company's annual reports for the year ended 31 December 2016 (the “**2016 Annual Report**”) and 31 December 2017 (the “**2017 Annual Report**”):

	For the year ended 31 December		
	2015	2016	2017
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Turnover	1,485,918	1,809,333	2,363,402
Gross profit	32,135	210,132	247,888
Profit for the year attributable to the owners of the Company	643,996	105,712	123,704

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	As at 31 December		
	2015	2016	2017
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,211,724	1,297,645	1,772,602
Net current liabilities	(1,371,657)	(1,131,197)	(1,871,836)
Total assets	3,157,506	3,638,622	4,591,123
Total liabilities	(3,029,253)	(3,486,123)	(4,323,448)
Equity attributable to owners of the			
Company	42,163	85,714	152,623

For the year ended 31 December 2016

The turnover of the Group increased by approximately RMB323.4 million or 21.8%, from RMB1,485.9 million for the year ended 31 December 2015 to RMB1,809.3 million for the year ended 31 December 2016 mainly attributable to the growth of the solar photovoltaic business segment. The Group recorded a net profit attributable to the owners of the Company of RMB644.0 million for the year ended 31 December 2015 as a result of a one-off gain on disposal of equity interest in IRICO Display Devices Co., Ltd. (the “**A Share Company**”). Excluding the effect of such gain on disposal, the Group recorded a net loss attributable to owners of the Company of approximately RMB578.0 million. As stated in the 2016 Annual Report, the Group has further clarified the strategic development and formed a vertical industry chain of the photovoltaic business in 2016. As a result, the profitability of the Group has increased in 2016 and the Group recorded a net profit attributable to the owners of the Company of approximately RMB105.7 million for the year ended 31 December 2016. The net assets of the Group increased significantly from RMB128.3 million as at 31 December 2015 to RMB152.5 million as at 31 December 2016 representing an increase of approximately 18.9% which was mainly attributable to the increase in deposits and prepayments of approximately RMB180.6 million of the Group in 2016.

For the year ended 31 December 2017

The turnover of the Group increased from approximately RMB1,809.3 million for the year ended 31 December 2016 to RMB2,363.4 million for the year ended 31 December 2017 representing an increase of approximately 30.6%. The increase of the revenue was mainly attributable to the improvement in the yield rate and production capacity of photovoltaic glass by means of quality and efficiency enhancement. The Group recorded a net profit attributable to the owners of the Company of approximately RMB123.7 million for the year ended 31 December 2017, representing an increase of approximately RMB18.0 million or

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17.0% as compared with the same period in 2016. The increase of net profit was mainly due to the combining effect of the enhancement of proficiency by controlling production costs, the improvement in the production capacity of photovoltaic glass and the significant decrease in its cost, the consolidation of Jiangsu Yongneng and the increase of government grants. As regards the financial position of the Group, the net assets of the Group increased from approximately RMB152.5 million as at 31 December 2016 to RMB267.7 million as at 31 December 2017. Such increase was mainly attributable to an increase in property, plant and equipment related to the solar photovoltaic business of the Company in 2017.

2. Principal activities and business of Zhuhai Caizhu

As advised by the Company, Zhuhai Caizhu was principally engaged in trading of vacuum glass, solar polycrystalline components, mixed coal, building materials, etc. Prior to 2016, Zhuhai Caizhu was principally engaged in trading of computers, accessories and television sets (the “**Electric Appliance Business**”). In 2016, as a result of the worsening business performance of such electronic appliance sector, Zhuhai Caizhu terminated such business and focused on trading business of building materials, solar polycrystalline components and mixed coal (the “**Material Business**”). In October 2017, Zhuhai Caizhu terminate the Material Business, being the core business of Zhuhai Caizhu after the termination of the Electric Appliance Business in 2016. Upon the termination of the Material Business, Zhuhai Caizhu has had no operation and generated certain income from its investment properties in the PRC.

As stated in the audited financial statements of Zhuhai Caizhu for the year ended 31 December 2017, the table below sets out the financial data of Zhuhai Caizhu prepared in accordance with the China Accounting Standards for Business Enterprises including the audited financial information for the years ended 31 December 2015, 2016 and 2017:

	For the year ended 31 December		
	2015	2016	2017
	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	705,316	523,821	317,563
Investment income	–	9,620	–
Operating profit/(loss)	(9,114)	3,745	(1,297)
Operating (loss) excluding non-recurring investment income	(9,114)	(5,875)	(1,297)

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	As at 31 December		
	2015	2016	2017
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Total assets	193,844	379,957	278,301
Total liabilities	(94,706)	(266,534)	(164,586)
Net assets	99,138	113,423	113,715

For the year ended 31 December 2016

As stated above, Zhuhai Caizhu was principally engaged in the Electric Appliance Business prior to 2016. In 2016, as a result of the worsening business performance of the Electric Appliance Business, Zhuhai Caizhu terminated such business and switched its focus towards trading business of building materials, solar polycrystalline components and mixed coal, therefore the trading volume dropped significantly and contribute to the decline of turnover from approximately RMB705.3 million for the year ended 31 December 2015 to approximately RMB523.8 million for the year ended 31 December 2016. Excluding the effect of a non-recurring income (the “**Non-recurring Investment Income**”) of approximately RMB9.6 million in relation to gain on disposal of a subsidiary, Zhuhai Caizhu recorded an operating loss of approximately RMB5.9 million, representing a decrease of approximately 35.5% in operating loss when compared to the year ended 31 December 2015.

As regards the financial position of Zhuhai Caizhu as at 31 December 2016, Zhuhai Caizhu had total assets of approximately RMB380.0 million and total liabilities of approximately RMB266.5 million respectively. Its assets comprised mainly investment properties, properties, plant and equipment, land use rights, prepayment and cash. Its liabilities comprised mainly advanced receipts, trade payables and short term loan. The net assets increased from approximately RMB99.1 million as at 31 December 2015 to RMB113.4 million as at 31 December 2016. Such increase was mainly attributable to an increase in cash and bank balance of approximately RMB81.4 million of Zhuhai Caizhu for the year ended 31 December 2016.

For the year ended 31 December 2017

The turnover of Zhuhai Caizhu decreased from approximately RMB523.8 million for the year ended 31 December 2016 to RMB317.6 million for the year ended 31 December 2017, representing a decrease of approximately 39.4% during the period. Such decrease was mainly attributable to the termination of the Material Business since October 2017, being the core business of Zhuhai Caizhu after the termination of the Electric Appliance Business in 2016.

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Upon the termination of the Material Business, Zhuhai Caizhu has had no operation and only generated certain income from its investment properties in the PRC. For the year ended 31 December 2017, Zhuhai Caizhu recorded an operating loss of RMB1.3 million, representing a decrease in operating loss when compared to the operating loss of approximately RMB5.9 million for the year ended 31 December 2016 after excluding the effect of the Non-recurring Investment income of approximately RMB9.6 million. Such decrease was mainly attributable to the shrinking operating scale of Zhuhai Caizhu given the unfavourable historical financial performance and the termination of the Material Business.

As regards the financial position as at 31 December 2017, Zhuhai Caizhu had total assets of approximately RMB278.3 million and total liabilities of approximately RMB164.6 million respectively. Its assets comprised mainly investment properties, properties, plant and equipment, land use rights, prepayment, trade receivables and cash. Its liabilities comprised mainly advanced receipts and trade payables. The net assets as at 31 December 2017 of approximately RMB113.7 million were stable and slightly increase as compared to that as at 31 December 2016.

3. *Proposed Disposal*

As set out in the Letter from the Board, the Proposed Disposal will optimise the assets structure of the Company and allow the Company to focus on developing and enhancing its core businesses in relation to new energy. According to the 2017 Annual Report, it is the Group's strategy to further consolidate its core competitiveness in photovoltaic glass and will press ahead the construction of new solar photovoltaic glass projects at higher pace so as to bring forth scaled advantages and improve comprehensive competitiveness.

According to the announcements of the Company dated 24 December 2013, 17 April 2014, 6 February 2015 and 28 February 2017, the Group had successfully disposed of numerous assets and companies related to its non-core businesses during the financial years 2013, 2014, 2015 and 2017. Meanwhile, the Group has been taking active steps to transform the business of the Company to new energy business and stripped off the non-profitable and non-principal-business assets which became burdens on operations through assets restructuring. As set out in the announcement of the Company dated 17 August 2016, the Company has achieved transformation of its core business to manufacturing of solar photovoltaic glass, photovoltaic power station, lithium battery anode materials and their related businesses through adjustments in terms of asset structure, enterprise structure, industrial structure and personnel structure, and set up two principal businesses, i.e. new energy and new materials. The Company is committed to becoming an international renowned green energy service provider. As further set out in the 2017 Annual Report, a photovoltaic glass project in Hefei had achieved full operation of all production lines and a photovoltaic glass project in Yan'an

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was in full swing. In view of the improving profitability of Zhuhai Caizhu as set out in the section headed “Principal activities and business of Zhuhai Caizhu”, the Directors considered that the solar photovoltaic business and the new material business will continue to be the main drivers of the future earnings growth.

Zhuhai Caizhu was originally engaged in the manufacturing and processing of plasma display panel (“PDP”) plasma glass powder material. However, Zhuhai Caizhu had discontinued operation of the PDP business in the financial year ended 31 December 2013. As mentioned in the section headed “Principal activities and business of Zhuhai Caizhu” in this letter, Zhuhai Caizhu recorded a decreasing trend in its turnover for the three financial years ended 31 December 2017 and it is expected that the scale of operation in terms of turnover would shrink further after the complete termination of the trading business since October 2017. Excluding the Non-recurring Investment income recorded in 2016, Zhuhai Caizhu incurred persistent operating losses during the period. The Proposed Disposal represents an opportunity for the Company to (i) realise investment of 51% equity interest in Zhuhai Caizhu; (ii) capitalize gain in the Disposal where the Consideration was determined based on arm’s length negotiations between the Company and Zhongdian IRICO; and (iii) off-load the deteriorating and non-core business which had unsatisfactory financial performance during the previous three financial years ended 31 December 2017. In addition, considering that Zhuhai Caizhu is located in the coastal city Zhuhai, Guangdong Province, and its main assets comprise buildings and lands, the retention of 49% equity interests in Zhuhai Caizhu enables the Company to obtain income derived from its future development of properties and lands and in turn replenish the future income and cash flow of the Company in the long run. Furthermore, based on our further discussion with the Company, Zhongdian IRICO possess expertise in property investments industry and professional ability in property leasing business, and therefore Zhongdian IRICO has better knowledge and resources in managing the property investment business of Zhuhai Caizhu when comparing to the Group. The Directors are of the view that Zhongdian IRICO’s management can enhance the profitability of Zhuhai Caizhu, on the other hand, the retention of 49% equity interests can allow the Company to enjoy the potential future benefit from sharing of profit from Zhuhai Caizhu upon completion of the Proposed Disposal.

Moreover, the Group recorded an increasing trend in net current liabilities for the financial years 2015, 2016 and 2017. The Group’s net current liabilities as at the respective year end were approximately RMB1,371.7 million, RMB1,131.2 million and RMB1,871.8 million respectively. As the proceeds arising from the Proposed Disposal will be used to supplement working capital of the Company, the proceeds from the Proposed Disposal could enhance liquidity of the Group and support the Group’s daily operation.

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In view of (i) the commitment of the Group's core competitiveness in photovoltaic glass and new solar photovoltaic glass projects; (ii) the Proposed Disposal being in line with the assets restructuring including previous disposals of non-core assets of the Group; (iii) the deteriorating historical operating profitability (excluding the Non-recurring Investment Income) and uncertain financial prospect of Zhuhai Caizhu; and (iv) the expected improvement on the Group's liquidity position taking into account the proceeds generated from the Proposed Disposal, 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

1. Consideration

Pursuant to the Equity Transfer Agreement, the Consideration for the Proposed Disposal of the 51% equity interest in Zhuhai Caizhu was determined based on arm's length negotiations between the Company and Zhongdian IRICO, with reference to the appraised net assets value of Zhuhai Caizhu as at 31 December 2017 (i.e. the valuation date) of RMB258,592,340.61 as set out in the Valuation Report prepared by the independent and duly qualified PRC valuer Beijing Pan-China (the "Valuer") using the asset-based approach. The Consideration was set as the 51% of the appraised net assets value of the entire equity interest of Zhuhai Caizhu which was approximately equal to RMB131,882,093.71.

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

We have reviewed the Valuation Report prepared by the Valuer and we have also discussed with the Valuer regarding the methodology and principal basis and assumptions adopted for the valuation of Zhuhai Caizhu. We understand that the assumptions adopted by the Valuer are (i) the assets entrusted for evaluation maintain their uses on a going concern basis with conditions and external economic environments on the valuation base date which shall bear no liability for any other purposes; (ii) the valuation conclusion shall be deemed as a guaranteed realizable price of evaluation objects; (iii) proper adjustments shall be made to

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the valuation conclusion instead of direct utilization in the case that there are changes in the number of assets and price standards; and (iv) all related technical information, relevant construction information and the track records provided by the appraised entity are true and valid. Based on our discussion with the Valuer and our review on relevant documents related to the valuation objects, we are of the view that the assumptions are fair and reasonable.

Moreover, we understand that the common valuation approaches are market approach, income approach and asset-based approach. We further understand from the Valuer that the adoption of market approach may not be appropriate because Zhuhai Caizhu is not a publicly listed company and the transactions of companies with comparable characteristics are limited. On the other hand, we understand from the Valuer that the adoption of income approach, which is heavily relied on projection on expected discounted future revenue and/or cash inflows, may not be appropriate because Zhuhai Caizhu has already terminated its core business since October 2017. In view of the asset-based approach being able to reflect the fair market value of the assets of Zhuhai Caizhu from an asset replacement perspective, the Valuer adopted asset-based approach for the valuation of Zhuhai Caizhu. Based on our further discussion with the Valuer, we understand that the Consideration representing 51% of the appraised value of the entire equity interest of Zhuhai Caizhu which has been taken into account the ownership exercising the management and control over Zhuhai Caizhu. Therefore, we concur with the Valuer that additional control premium on the appraised value of Zhuhai Caizhu is unnecessary.

As for the current assets, current liabilities and non-current liabilities, the cost approach has been applied based on the Valuation Report. As for fixed assets, replacement cost approach has been applied based on the Valuation Report. As for the investment properties and land use right, the market approach has been applied to compare their respective market value based on the criteria of proximity and nature based on the Valuation Report. Based on our review of the Valuation Report and the discussion with the Valuer, we consider that the valuation approaches adopted are common valuation methodologies in appraising such company and the basis and assumptions adopted by the Valuer are fair and reasonable.

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

	As at 31 December 2017	
	(audited)	(assessed)
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	10,961	124,417
Fixed assets	2,999	21,207
Construction in progress	6,180	6,180
Land use right	–	13,213
Current assets	258,161	258,161
	<u>278,301</u>	<u>426,178</u>
Current liabilities	164,586	164,586
	<u>164,586</u>	<u>164,586</u>
Net assets	<u>113,715</u>	<u>258,592</u>

Compared to the audited booked value of Zhuhai Caizhu's net assets as at 31 December 2017, we noted that the assessed value of Zhuhai Caizhu's net assets as at 31 December 2017 has appreciated by approximately RMB144.9 million. Such appreciation is mainly attributable to the appreciation on (i) the investment properties of approximately RMB113.5 million; and (ii) the fixed assets in relation to property, plant and equipment of approximately RMB18.2 million; and (iii) the land use rights of approximately RMB13.2 million. As such, the Group expects to recognise a gain from the Proposed Disposal of approximately RMB144.4 million, which is calculated based on the consideration for the transaction and net assets value of the equity interests to be disposed of, taking into account gain from the remaining equity interests. The estimated gain of RMB144,382,992.43 is the sum of the following two parts: the first part is arrived at using the formula that the consideration for the disposal of 51% equity interest deducts the corresponding value of the net assets as at 31 March 2018 (i.e. RMB131,882,093.71 – RMB114,209,348.18*51% = RMB73,635,326.14); the second part is arrived at using the formula that the investment gain from the remaining 49% equity interest remeasured at the fair value (i.e. (RMB258,592,340.61 – RMB114,209,348.18)*49% = RMB70,747,666.29).

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In order to independently assess the value of the entire equity interest of Zhuhai Caizhu, we have considered valuation approaches such as the market approach by making reference to benchmarks of price-to-earnings ratio (the “**P/E Ratio**”), price-to-book ratio (the “**P/B Ratio**”) and discounted cash flow analysis (the “**DCF Analysis**”) of Zhuhai Caizhu. However, given that Zhuhai Caizhu was loss making for the year ended 31 December 2017, it is not practicable to estimate the value of the entire equity interest of Zhuhai Caizhu by using P/E ratio.

Moreover, considering that Zhuhai Caizhu has already ceased its trading business which was its core business and the adoption of DCF Analysis relies on a lot of assumptions and estimates, including future profits, cost of capital, risks and thus the discount rates which are subject to uncertainty, it is inappropriate to use the DCF Analysis for the valuation.

Taking into account the above-mentioned constraints of using P/E Ratio and DCF Analysis in assessing the valuation of the Zhuhai Caizhu, we consider that it is inappropriate for us to assess the valuation of equity interest of Zhuhai Caizhu by adopting the above approaches.

Having considered that Zhuhai Caizhu is no longer engaged in the trading business and is principally engaged in property investment business, we have independently performed research on the Stock Exchange to look for comparable companies which are (i) listed on the Main Board of the Stock Exchange (companies which trading of whose shares were suspended are excluded) and (ii) principally engaged in property investment business in the PRC, that is, more than 50% of the total revenue in the latest financial year generated from property investment business in the PRC, as that of Zhuhai Caizhu. To the best of our knowledge, we have identified 12 companies (the “**P/B Comparables**”) which set forth in the table below an exhaustive list under above criteria.

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Company Name	Stock code	Principal business	Closing price as at the date of the Equity Transfer Agreement (HK\$)	Market capitalisation as at the date of the Equity Transfer Agreement (HK\$'million)	Latest published net asset value attributable to owners of company (HK\$) on or before the date of the Equity Transfer Agreement ¹ (HK\$'million)	P/B Ratio ² (times)
Dynamic Holdings Limited	29	Primarily engaged in property investment and development	7.52	1,693.31	1,978.08	0.86
Great China Holdings Limited	141	Primarily engaged in property investment in the PRC	1.58	545.69	630.78	0.87
New City Development Group Limited	456	Primarily engaged in property development and investment in the PRC	0.32	1,061.45	663.30	1.60
Art Group Holdings Limited	565	Primarily engaged in property operating business	0.3	805.50	1,324.73	0.61
China Infrastructure Investment Limited	600	Primarily engaged in (i) property investments; and (ii) natural gas businesses	0.057	243.38	850.51	0.29
China Oceanwide Holdings Limited	715	Primarily engaged in property investments in the PRC	0.415	6,699.20	10,707.34	0.63
China Sandi Holdings Limited	910	Primarily engaged in property development and holding of property for investment and rental purpose	0.435	1,939.62	2,869.72	0.68
Zhong Hua International Holdings Limited	1064	Primarily engaged in property investment and development in the PRC	0.31	187.74	910.80	0.21
Lai Fung Holdings	1125	Primarily engaged in the operation of owned/leased portfolio shopping malls in the PRC	11.7	3,826.42	14,584.11	0.26

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Company Name	Stock code	Principal business	Closing	Market	Latest published net asset value attributable to owners of company (HK\$) on or before the date of the Equity Transfer Agreement ¹	P/B Ratio ²
			price as at the date of the Equity Transfer Agreement (HK\$)	capitalisation as at the date of the Equity Transfer Agreement (HK\$'million)	Transfer Agreement ¹ (HK\$'million)	(times)
Red Star Macalline Group Corporation Ltd.	1528	Primarily engaged in the business of shopping mall leasing in the PRC	10.5	41,358.63	49,787.89	0.83
Beijing Urban Construction Design & Development Group Co., Limited	1589	Primarily engaged in the leasing of storage facilities and the related management services in the PRC	2.6	7,597.34	4,828.41	1.57
Everbright Grand China Assets Limited	3699	Primarily engaged in the businesses of property leasing, property management and sales of properties held for sale	0.93	410.50	885.82	0.46
					Maximum	1.60
					Minimum	0.21
					Average	0.74
					Median	0.65
				Consideration ³		
Zhuhai Caizhu		Principally engaged in property investment		162.42	71.45	2.27

Notes:

- The net asset value of Zhuhai Caizhu and the P/B Comparables (if applicable) are calculated using the exchange rate of HK\$1 = RMB0.81198 based on the middle price of RMB exchange rate on the date of the Equity Transfer Agreement as listed on the website of the People's Bank of China (<http://www.pbc.gov.cn/>).

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2. Based on the net asset value of the P/B Comparables as set out in their published latest financial data up to the date of the Equity Transfer Agreement and their market capitalization on the date of the Equity Transfer Agreement.
3. Based on the Consideration of approximately RMB131.9 million and the respective net asset value of 51% of Zhuhai Caizhu for the year ended 31 December 2017.

We note that the P/B Ratios of the P/B Comparables ranged from approximately 0.21 to approximately 1.60 and have an average of approximately 0.74 and a median of approximately 0.65. The P/B Ratio of Zhuhai Caizhu, where the price was based on the Consideration, was approximately 2.27. Upon comparison, we noted that the P/B Ratio of Zhuhai Caizhu was higher than the average, median and maximum of P/B Ratios of the P/B Comparables.

Having considered (i) the qualification and experience of the Valuer; (ii) the Valuer being independent with the Company and/or Zhongdian IRICO and/or IRICO Group; (iii) the appropriate scope of work of the Valuation Report; (iv) the appropriate methodologies, assumptions and approach being adopted in the Valuation Report; (v) the Consideration representing 51% of the appraised value of the entire equity interest of Zhuhai Caizhu being taken into account the ownership exercising the management and control over Zhuhai Caizhu; and (vi) the P/B Ratio of Zhuhai Caizhu being higher than the average, median and maximum of P/B Ratios of the P/B Comparables, representing the Consideration is at a premium over the market price of the P/B Comparables, we are of the view that the Consideration of approximately RMB131,882,094, which was determined based on the Valuation Report, is fair and reasonable.

2. *Mode of settlement of the Consideration*

The Consideration of the Proposed Disposal shall be paid in a lump sum in cash by Zhongdian IRICO to the bank account designated by the Company within 5 days from the effective date of the Equity Transfer Agreement. Considering that the change of business registration for the equity transfer in the relevant government institutions takes a considerable amount of time, settlement of the Consideration within 5 days is reasonable. We also consider that the mode of settlement by cash is a common market practice which can provide an instant cash inflow to the Group upon completion of the Proposed Disposal 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.

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Based on the above analysis, we consider that the Consideration, which was determined based on the appraised net assets value of Zhuhai Caizhu as at 31 December 2017, is fair and reasonable so far as the Independent Shareholders are concerned. Moreover, the mode of settlement of the Consideration by cash is in the interests of the Company and the Shareholders as a whole.

III. Financial effects of the Proposed Disposal

The Group has 100% equity interest in Zhuhai Caizhu. The financial effects of the Proposed Disposal on the Group are as follow:

1. *Earnings*

Upon completion of the Proposed Disposal, the Group will hold 49% equity interest in Zhuhai Caizhu, the financial performance and position of Zhuhai Caizhu will cease to be consolidated in the accounts of the Group. Zhuhai Caizhu will cease to become a subsidiary of the Group, and will become an associate of the Group. The profit or loss derived by 49% equity interest of Zhuhai Caizhu will be recognized as share of profit or loss of associate.

The Group recorded consolidated audited net profit attributable to the Shareholders of approximately RMB123.7 million for the year ended 31 December 2017. Zhuhai Caizhu has been revenue-declining for the three years ended 31 December 2017. Upon completion of the Proposed Disposal at the Consideration of approximately RMB131.9 million, the Group is expected to realise a gain on disposal of approximately RMB144.4 million based on the Hong Kong Financial Reporting Standards, taking into account gain from the remaining equity interest. Accordingly, it is expected that the earnings of the Group will improve significantly.

2. *Net asset value*

As stated in the 2017 Annual Report, the Group had consolidated audited net assets of approximately RMB267.7 million as at 31 December 2017. 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 RMB144.4 million from the Proposed Disposal, taking into account gain from the remaining equity interests. We consider that the Proposed Disposal will have an overall improvement on the Group's net assets position.

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3. *Cashflow*

As stated in the 2017 Annual Report, the Group had consolidated bank balances and cash of approximately RMB269.4 million as at 31 December 2017. Upon completion of the Proposed Disposal, the Group's bank balances and cash will increase by the amount of net proceeds. As set out in the Letter from the Board, the Company intends to use such proceeds for the supplement working capital of the Company.

4. *Gearing ratio*

The gearing ratio of the Group as at 31 December 2017 was approximately 94% which was derived by dividing the total balance of bank and other borrowings of the Group as at 31 December 2017 of approximately RMB2,491.5 million by the sum of the total balance of equity and bank and other borrowings of the Group as at 31 December 2017 of approximately RMB2,759.2 million. Upon completion of the Proposed Disposal, it is expected that the total capital of the Group will increase after taking into account the gain of approximately RMB144.4 million from the Proposed Disposal, taking into account gain from the remaining equity interests. As such, assuming the total debt of the Group remains at same level, it is expected that the gearing ratio will decrease slightly.

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

RECOMMENDATION

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

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

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

For and on behalf of

Octal Capital Limited

Alan Fung

Louis Chan

Managing Director

Director

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

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

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

**Proposed Transfer of the Entire Shareholders' Equity Interest
in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)
by IRICO Group New Energy Company Limited***

ASSETS VALUATION REPORT

Tian Xing Ping Bao Zi (2018) No. 0264

IRICO Group New Energy Company Limited*:

As entrusted by the Company, Beijing Pan-China Assets Appraisal Co., Ltd. has conducted a valuation on the market value of the entire shareholders' equity interest in Zhuhai Caizhu Industrial Co., Ltd. as at 31 December 2017 as involved in the proposed transfer of equity interest in Zhuhai Caizhu Industrial Co., Ltd.* by IRICO Group New Energy Company Limited* based on necessary valuation procedures, adhering to the principles of independence, objectivity and impartiality and in accordance with the requirements of relevant laws, administrative regulations and asset valuation standards. The results using the asset-based approach are adopted as the final valuation conclusion in this valuation. The assets evaluation is reported as follows:

**I. PRINCIPAL, APPRAISED ENTITY AND OTHER USERS OF THE VALUATION REPORT
UNDER THE VALUATION ENTRUSTMENT CONTRACT**

(I) Profile of the principal

Name of enterprise:	IRICO Group New Energy Company Limited* (“ IRICO New Energy ”)
Registered address:	In Courtyard at No. 1 Caihong Road, Qindu District, Xianyang, Shaanxi
Legal representative:	Zou Changfu
Registered capital:	RMB2,232,349,400

Type of enterprise:	joint stock company (listed)
Date of incorporation:	10 September 2004
Business scope:	<p>the construction and operation of solar power plants; research, development, production and sales of solar photovoltaic glass, tempered glass, coated glass, conductive film glass, flat glass and vacuum glass; research, development, production and sales of solar cell chip, solar cell module and their auxiliary products as well as silicon materials; solar photovoltaic power generation related business and research, development, production and sales of energy storage battery, inverter, smart power grids form home appliances, etc.; processing and further processing of quartz sand, an upstream material for solar photovoltaic glass; research, development, production and sales of power battery, cathode and anode materials of lithium battery, and upstream materials of lithium battery materials; research, development, manufacturing and sales of flat panel displays and auxiliary products and materials, electronic products; self-operated and commissioned import business for various commodities and technologies; operation of processing imported goods and “Three-plus-one” business (i.e. processing and compensation trade); foreign trade and entrepot trade; research, development, manufacturing and sales of computer software and hardware, chemical products, information technology, industrial control systems and its devices; processing and repairing machinery; development of, training and consultation on electronic information technology; acquisition, processing and utilization of waste materials, sales of accumulated materials; development, research, production and sales of new materials and high-tech products; medical and rehabilitation services, elderly care and healthcare services. (for projects subject to approval in accordance with laws, business activities may only be carried out after obtaining approval from relevant departments).</p>

(II) Profile of the appraised entity**1. Basic information**

Name of enterprise:	Zhuhai Caizhu Industrial Co., Ltd.* (“ Caizhu Industrial ”)
Registered address:	2/F, Type II, No. 16 Jingle Road, Jida, Zhuhai
Legal representative:	Zou Changfu
Registered capital:	RMB50,000,000
Type of enterprise:	limited liability company (state-owned)
Date of incorporation:	20 June 1990
Business scope:	manufacturing and sales of home appliances and electronic components; wholesale and retail of electronic products, electronic computer and its accessories, chemical products (excluding dangerous chemicals and precursor chemicals), building materials, auto parts, game machines, hardware and electrical equipment, and home appliances. (for operation by subsidiaries only: processing and manufacturing: low melting-point glass powder; research and development of special paper products).

2. History

Zhuhai Caizhu Industrial Co., Ltd.*, formerly known as Zhuhai Special Economic Zone Caizhu Electronic Industry Co., Ltd.* (珠海經濟特區彩珠電子工業有限公司), was established with the joint contribution by Zhuhai Industrial Group Co., Ltd.* and Shaanxi Color Picture Tube Plant in 1988. Its registered capital amounted to RMB1 million, of which Zhuhai Industrial Group Co., Ltd.* contributed RMB400,000, representing 40% of the equity interests, and Shaanxi Color Picture Tube Plant contributed RMB600,000, representing 60% of the equity interests.

On 31 May 1990, Zhuhai Industrial Group Co., Ltd.* transferred its 40% equity interests to Shaanxi Color Picture Tube Plant and reported the transfer to Zhuhai Economic and Technical Cooperation Office which approved the transformation of Caizhu Electronic Industry Co., Ltd. from an inland associated enterprise into a wholly-owned domestic enterprise with the reply “Zhu Fu Xie Gou (1990) No. 83”.

On 17 January 1993, Zhuhai People's Government Office approved to rename Zhuhai Special Economic Zone Caizhu Electronic Industry Co., Ltd.* as Zhuhai Special Economic Zone Caizhu Industrial Corporation* (珠海經濟特區彩珠實業總公司), the increase in registered capital from RMB1 million to RMB29.76 million and the change of enterprise nature into ownership of the whole people with the document "Zhu Fu Ban (1993) No. 3".

In 2004, according to the document "Cai Tuan Fa Gui [2004] No. 171" of IRICO Group Corporation, Enterprise Ownership Transfer Agreement and the amended Articles of Association, the name of Caizhu Industrial was changed from the former Zhuhai Special Economic Zone Caizhu Industrial Corporation* into Zhuhai Caizhu Industrial Co., Ltd.* with the registered capital changed from the previous RMB29.76 million into RMB50 million as jointly contributed by IRICO Group Corporation and Shenzhen Hengchangyuan Trading Co., Ltd.* (深圳市恒昌源貿易有限公司) which held 90% and 10% equity interests in Zhuhai Caizhu Industrial Co., Ltd.*, respectively.

In November 2004, IRICO Group Corporation transferred all the equity interests held by it in Caizhu Industrial to IRICO Group New Energy Company Limited*. On 3 November 2004, Zhuhai Administration for Industry and Commerce approved the change of Caizhu Industrial. Upon the change, the business license for an Enterprise as an legal person bore the registration number 4404001001012 and the registered address at 2/F, Type II, No. 16 Jingle Road, Jida, Zhuhai.

On 13 May 2014, as resolved at the general meeting of Caizhu Industrial, Shenzhen Hengchangyuan Trading Co., Ltd.* transferred its 10% equity interests in Caizhu Industrial to IRICO Group New Energy Company Limited*. Upon the change, Caizhu Industrial became a wholly-owned subsidiary of IRICO Group New Energy Company Limited*.

As at the valuation base date, the equity structure of the appraised entity is as follows:

No.	Name	Contribution	Shareholding
1.	IRICO Group New Energy Company Limited*	RMB50 million	100%
		_____	_____
	Total	<u>RMB50 million</u>	<u>100%</u>

3. *Overview of the major assets of the company*

The major assets of Zhuhai Caizhu Industrial Co., Ltd.* include inventory, buildings (structures) (including investment properties), machinery and equipment, vehicles, electronic equipment, land and construction in progress. The aforementioned assets are mainly distributed in Zhuhai, Zhongshan, Anshan and Xianyang, and featured by a large amount of physical assets scattered in different places and a large unit value of certain fixed assets. The specific asset types and characteristics are as follows:

(1) Inventory

Inventory consists of various types of raw materials mainly in the warehouse of Xianyang Branch. The warehouse has a sound custodial system. All the goods are piled by categories and correctly labeled and the warehouse in-out registration card keeps accurate records.

(2) Fixed assets – buildings (structures) (including investment properties)

- 1) Investment properties: the original book value and net value of investment properties amounted to RMB32,019,700.55 and RMB10,961,164.31, respectively. The investment properties, principally with the steel-concrete composite structure, were built in the period from 1988 to 2008 and mainly include Axis A-FX1-7, 1/F, No. 18 Jingle Road, Jida, Zhuhai, Axis A-FX1-F, 1/F, No. 18 Jingle Road, Jida, Zhuhai, 3/F, Type III, Jingle Road, Jida, Zhuhai, 4/F, Type III, Second Industry Building, Jingle Road, Jida, Zhuhai, 5/F, Type III, Second Industry Building, Jingle Road, Jida, Zhuhai, Room 4A, Building 20, No. 1 Yuanlin Road, Jida, Zhuhai, 12 rooms in Building 75 at No. 113 Bailian Road, Jida, Zhuhai. The aforementioned shops on the first floor, office buildings, plants and commodity houses have been leased.
- 2) Buildings: the original book value and net value of buildings amounted to RMB7,601,716.28 and RMB1,153,809.01, respectively. The buildings, principally with the steel-concrete composite structure, were built in the period from 1988 to 2012 and mainly include 2/F, Second Industry Building, Jingle Road, Jida, Zhuhai, Building C5, “Lake in Lake” Fuhai Garden, Baitenghu, Doumen County, and Room 10, 6/F, No. 33-151 Shenyu Road, High-tech Zone. The aforementioned office buildings and commodity houses have been partially leased and are partially for the company’s own use.

After properly use by and under the management of Caizhu Industrial, the aforementioned buildings (structures) assets are still in good condition.

(3) *Fixed Assets – Equipment*

- 1) The original book value and net value of the over 15 machinery and equipment amount to RMB24,018,487.11 and RMB1,346,702.00, respectively. The machinery and equipment were purchased in the period from 1999 to 2012 and mainly include PDP equipment, Malvern laser particle size analyzer, jet milling air compressor, etc., of which PDP equipment has been completed scrapped without use value.
- 2) The original book value and net value of the 4 vehicles for office purpose amount to RMB847,069.29 and RMB463,141.51, respectively. The vehicles were purchased in the period from 2008 to 2017.
- 3) The original book value and net value of 38 electronic equipment amount to RMB723,783.66 and RMB35,765.00, respectively. The electronic equipment mainly including computer, air conditioner, printer, copying machines and other office equipment were purchased in the period from 1999 to 2017.

The PDP equipment and other corporate equipment are scrapped due to market reasons and certain other equipment are in idle. Some instruments, vehicles and office equipment are still available.

(4) *Construction in progress*

The book value of the construction in progress consisting of 18 equipment installation projects amounts to RMB6,180,166.65 without provision for impairment loss. The construction in progress mainly includes vacuum glass project, HF induction heating apparatus of Shaanxi Rongda Company, straight line glass edging machine of Foshan Jugang Company, and installation and transformation of power equipment.

(5) *Intangible assets*

The intangible assets included in the scope of evaluation include the land use rights of Zhuhai Caizhu Industrial Co., Ltd.* with a book balance of 0.

1 land use right was included in the scope of evaluation. As the appraised entity adopted accelerated amortization method for amortization of land use rights, as at the valuation base date, the book value of the land use right was 0. The name of the land parcel is Land of Zhongshan Branch with a total area of 16,312.50 m² located at No. 10 Jialian Road, Tanzhou Town, Zhongshan. The land is granted land and for industrial purpose. The term of the land ends at 2 June 2042. The holder of the land use right as stated on the certificate is Caizhu Industrial. As at the valuation base date, no right to mortgage was set for the land. The land development has reached the “five accesses and one leveling” (including access to water, sewage, electricity, roads, telecommunication, and ground leveling). Details of the land are set out in the table below:

No.	No. of Land Use Right Certificate	Name of Land Parcel	Land Location	Validity period for use	Area (m ²)
1	Zhong Fu Guo Yong (2015) No. 3300943	Land of Zhongshan Branch	No. 10 Jialian Road, Tanzhou Town, Zhongshan	2042/6/2	16,312.50
Total					<u>16,312.50</u>

4. Overview of principle business of the company

Caizhu Industrial is currently engaged in trading of vacuum glass, solar polycrystalline components, mixed coal, building materials, etc. The company has discontinued operation of the previous PDP business. In 2017, the revenue from trading amounted to approximately RMB300 million.

5. *Statement of financial position and operating results*

Statement of financial position

Unit: RMB0'000

Item	31 December 2014	31 December 2015	31 December 2016	31 December 2017
Current assets	21,752.70	17,033.04	35,807.00	25,816.07
Non-current assets				
Including: Long-term equity				
investments	–	–	–	–
Investment properties	729.90	670.52	1,251.56	1,096.12
Fixed assets	1,668.95	1,273.68	363.20	299.94
Construction in progress	–	407.22	573.90	618.02
Intangible assets	–	–	–	–
Long-term deferred				
expenses	–	–	–	–
Deferred income tax				
assets	–	–	–	–
Other assets	–	–	–	–
Total assets	24,151.54	19,384.46	37,995.67	27,830.15
Current liabilities	13,758.06	9,470.62	26,653.36	16,458.61
Non-current liabilities	2,398.84	2,351.42	2,188.67	2,014.07
Total liabilities	14,212.42	9,470.62	26,653.36	16,458.61
Net assets (Owners' equity)	9,939.12	9,913.83	11,342.31	11,371.54

Statement of Operating Results

Unit: RMB0'000

Item	2014	2015	2016	2017
I. Operating income	104,828.10	70,531.64	52,382.06	31,756.29
Less: Operating costs	105,433.61	69,871.50	51,863.44	31,466.74
Business tax and surcharges	186.05	92.74	57.67	-63.73
Selling expenses	203.92	114.37	38.35	101.22
Administrative expenses	791.76	693.76	778.82	557.94
Financial expenses	135.97	258.59	170.77	-418.12
Impairment loss of assets	241.54	412.10	60.48	241.89
Add: Gains on changes in fair value	—	—	—	—
Investment income	1.19	—	961.96	—
II. Operating profit	-2,163.56	-911.43	374.50	-129.66
Add: Non-operating income	255.03	918.49	1,135.85	322.35
Less: Non-operating expenses	24.24	2.68	37.94	163.47
III. Total profit	-1,932.76	4.38	1,472.41	29.22
Less: Income tax expenses	-17.62	29.66	43.94	—
IV. Net profit	-1,915.14	-25.28	1,428.48	29.22

The financial data as set out in the tables above have been audited by WUYIGE Certified Public Accountants LLP which has issued an unqualified audit report (Da Xin Zhuan Shen Zi [2018] No. 1-00587).

(III) Other users of the valuation report under the valuation entrustment contract

According to the asset valuation entrustment contract, there is no other user of the valuation report.

(IV) Relationship between the principal and the appraised entity

The principal of the project is IRICO Group New Energy Company Limited* and the appraised entity is Zhuhai Caizhu Industrial Co., Ltd.* The principal is a shareholder of the appraised entity.

II. VALUATION PURPOSE

As IRICO Group New Energy Company Limited* proposed to transfer the equity interests in Zhuhai Caizhu Industrial Co., Ltd.*, it is required to conduct evaluation on the entire shareholders' equity of Zhuhai Caizhu Industrial Co., Ltd.* in order to provide a value reference for the proposed transfer.

III. VALUATION SUBJECT AND VALUATION SCOPE**(I) Valuation Subject**

The valuation subject is the entire shareholders' equity of Zhuhai Caizhu Industrial Co., Ltd.* as at the valuation base date.

(II) Valuation Scope

The valuation scope is the entire assets of Zhuhai Caizhu Industrial Co., Ltd.* including all assets and relevant liabilities, of which the book value of total assets, liabilities and net assets amount to RMB278,301,500, RMB164,586,100 and RMB113,715,400. The book values of various assets and liabilities are shown in the table below:

Summary of Assets Valuation Reporting Form

Unit: RMB0'000

Item	Book value
Current assets	25,816.07
Non-current assets	2,014.08
Including: Long-term equity investments	—
Investment properties	1,096.12
Fixed assets	299.94
Construction in progress	618.02
Intangible assets	—
Land use right	—
Others	—
Total assets	27,830.15

Item	Book value
Current liabilities	16,458.61
Non-current liabilities	—
Total liabilities	16,458.61
Net assets	11,371.54

(I) The principal and appraised entity have undertaken that the subject and scope of the evaluation entrusted are consistent with those involved in the proposed transfer for which WUYIGE Certified Public Accountants LLP has conducted audit and issued an unqualified audit report (Da Xin Zhuan Shen Zi [2018] No. 1-00587).

(II) *Single assets or asset portfolios which have a great impact on corporate value*

Single assets or asset portfolios which have a great impact on corporate value include all the inventories, fixed assets, construction in progress and intangible assets of Zhuhai Caizhu Industrial Co., Ltd*. For details, please refer to the above “Overview of the major assets of the company” under the “Profile of the appraised entity”.

(III) *Intangible assets reported by the enterprises*

The intangible assets included in the scope of evaluation include the land use rights of Zhuhai Caizhu Industrial Co., Ltd.* with a book balance of 0.

1 land use right was included in the scope of evaluation. As the appraised entity adopted accelerated amortization method for amortization of land use rights, as at the valuation base date, the book value of the land use right was 0. The name of the land parcel is Land of Zhongshan Branch with a total area of 16,312.50 m² located at No. 10 Jialian Road, Tanzhou Town, Zhongshan. The land is granted land and for industrial purpose. The term of the land ends at 2 June 2042. The holder of the land use right as stated on the certificate is Caizhu Industrial. As at the valuation base date, no right to mortgage was set for the land. The land development has reached the “five accesses and one leveling” (including access to water, sewage, electricity, roads, telecommunication, and ground leveling).

(IV) *Off-balance sheet assets reported by the enterprises*

In the evaluation, the principal and the appraised entity did not report any off-balance sheet assets.

IV. TYPE OF VALUE AND ITS DEFINITION

As IRICO Group New Energy Company Limited* proposed to transfer the equity interests in Zhuhai Caizhu Industrial Co., Ltd.*, it is required to conduct evaluation on the entire shareholders' equity of Zhuhai Caizhu Industrial Co., Ltd.* in order to provide a value reference for the proposed transfer. According to the above evaluation purpose, the value type of this valuation is market value, which, as referred to in the report, is the estimated amount of the value in a normal fair transaction made by the valuation subject on the valuation base date under the circumstance where the buyer and seller both act willingly and sensibly without being forced.

V. VALUATION BASE DATE

The Valuation Base Date is 31 December 2017.

The Valuation Base Date is determined by the principal.

VI. BASIS OF VALUATION

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

(I) Basis of economic activities

The resolutions of the General Manager's Office Meeting of IRICO Group New Energy Company Limited.*

(II) Basis of laws and regulations

1. Asset Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》);
2. Law of the People's Republic of China on the State-Owned Assets of Enterprises (《中華人民共和國企業國有資產法》);
3. Company Law of the People's Republic of China (《中華人民共和國公司法》);
4. Securities Law of the People's Republic of China (《中華人民共和國證券法》);
5. Property Law of the People's Republic of China (《中華人民共和國物權法》);

6. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》);
7. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》);
8. Administrative Measures for State-Owned Assets Assessment (State Council Order 1991 No. 91) (《國有資產評估管理辦法》(國務院1991年91號令));
9. Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36) (《國有資產評估管理辦法實施細則》(國資辦發[1992]第36號)) issued by the former State Administration of State-owned Assets;
10. Opinions on Reforming the Administration and Management of Appraisal of State-owned Assets and Strengthening the Supervision and Management of Asset Appraisal (Guo Ban Fa [2001] No. 102) (《關於改革國有資產評估行政管理方式加強資產評估監督管理工作意見的通知》(國辦發[2001]102號));
11. Rules on Certain Issues Relating to the Appraisal of State-owned Assets (Ministry of Finance NO. 14 Order) (《國有資產評估管理若干問題的規定》(財政部第14號令));
12. Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises (State Council 2003 No. 378 Order) (《企業國有資產監督管理暫行條例》(國務院2003年378號令));
13. Interim Measures for Management of the Transfer of the State-owned Property Right of Enterprises (SASAC and Ministry of Finance 2003 No. 3 Order) (《企業國有產權轉讓管理暫行辦法》(2003年國資委、財政部第3號令));
14. Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (SASAC of the State Council 2005 No. 12 Order) (《企業國有資產評估管理暫行辦法》(2005年國務院國資委第12號令));
15. Notice on Strengthening Management of Evaluation of State-Owned Assets in Enterprises (SASAC Property [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
16. Notice on Transfer of State-owned Property Rights in Enterprises (SASAC Property [2006] No. 306) (《關於企業國有產權轉讓有關事項的通知》(國資產權發[2006]306號));

17. Notice on the Audit of Valuation Report for State-owned Assets of Enterprises (SASAC Property [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));
18. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (SASAC Property [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
19. The Measures on the Supervision and Management of the Transactions of State-owned Assets of the Enterprises) (Order No. 32 from SASAC and the Ministry of Finance) (《企業國有資產交易監督管理辦法》(國務院國資委、財政部令第32號)) ;
20. Regulations for the Implementation of the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法實施條例》);
21. Provisional Regulations on Urban Land Use Tax of the People's Republic of China(《中華人民共和國城鎮土地使用稅暫行條例》);
22. Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》);
23. Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》);
24. Regulations for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》);
25. Other relevant laws and regulations.

(III) Basis of valuation standards

1. Asset Evaluation Standards – Basic Standards (Cai Zi [2017] No. 43) (《資產評估基本準則》(財資[2017]43號));
2. Code of Ethics for Assets Assessment (Zhong Ping Xie [2017] No. 30)(《資產評估職業道德準則》(中評協[2017]30號));
3. Asset Evaluation Practicing Standards – Asset Evaluation Procedures (Zhong Ping Xie [2017] No. 31)(《資產評估執業準則－資產評估程序》(中評協[2017]31號));
4. Asset Evaluation Practicing Standards – Asset Appraisal Report (Zhong Ping Xie [2017] No. 32)(《資產評估執業準則－資產評估報告》(中評協[2017]32號));

5. Asset Evaluation Practicing Standards – Contract on Asset Evaluation Entrustment (Zhong Ping Xie [2017] No. 33)(《資產評估執業準則－資產評估委託合同》(中評協[2017]33號));
6. Asset Evaluation Practicing Standards – Asset Evaluation Files (Zhong Ping Xie [2017] No. 34)(《資產評估執業準則－資產評估檔案》(中評協[2017]34號));
7. Asset Evaluation Practicing Standards – Enterprise Value (Zhong Ping Xie [2017] No. 36)(《資產評估執業準則－企業價值》(中評協[2017]36號));
8. Asset Evaluation Practicing Standards – Real Estate (Zhong Ping Xie [2017] No. 38)(《資產評估執業準則－不動產》(中評協[2017]38號));
9. Asset Evaluation Practicing Standards – Machinery Equipment (Zhong Ping Xie [2017] No. 39)(《資產評估執業準則－機器設備》(中評協[2017]39號));
10. Guidelines for the Evaluation Report on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42)(《企業國有資產評估報告指南》(中評協[2017]42號));
11. Guidelines for Business Quality Control of Asset Evaluation Agencies (Zhong Ping Xie [2017] No. 46)(《資產評估機構業務質量控制指南》(中評協[2017]46號));
12. Guidance on Value Type for Asset Evaluation (Zhong Ping Xie [2017] No. 47)(《資產評估價值類型指導意見》(中評協[2017]47號));
13. Guiding Opinions for Valuation of Investment Properties (Zhong Ping Xie [2017] No. 53)(《投資性房地產評估指導意見》(中評協[2017]53號)).

(IV) Basis of asset ownership

1. Business licenses for the legal entity, articles of association;
2. Land use right certificates;
3. Building ownership certificate;
4. Motor vehicles license and registration certificate;
5. Contracts and invoices for acquisition of major equipment as well as relevant agreements, contracts and other documents;
6. Other ownership documents.

VII. VALUATION CONCLUSION

(I) Valuation conclusion based on the asset-based approach

Based on the asset-based approach, the book value and the appraised value of total assets of Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司) were RMB278,301,500 and RMB423,178,500, respectively, representing an appreciation of RMB144,877,000 or 52.06%; the book value and the appraised value of its liabilities were RMB164,586,100 and RMB164,586,100, respectively, representing no appreciation or depreciation; and the book value and the appraised value of its net assets were RMB113,715,400 and RMB258,592,400, respectively, representing an appreciation of RMB144,877,000 or 127.40%.

The summary of the appraisal results is set out as follows:

Summary of Asset Valuation Results

Unit: RMB0,000

Item	Book value	Appraised value	Appreciation/ depreciation	Appreciation rate %
Current assets	25,816.07	25,816.07	–	–
Non-current assets	2,014.08	16,501.78	14,487.70	719.32
Including: Long-term equity investments	–	–	–	–
Investment properties	1,096.12	12,441.72	11,345.60	1,035.07
Fixed assets	299.94	2,120.73	1,820.79	607.05
Construction in progress	618.02	618.02	–	–
Intangible assets	–	1,321.31	1,321.31	–
Land use right	–	1,321.31	1,321.31	–
Others	–	–	–	–
Total assets	27,830.15	42,317.85	14,487.70	52.06
Current liabilities	16,458.61	16,458.61	–	–
Non-current liabilities	–	–	–	–
Total liabilities	16,458.61	16,458.61	–	–
Net assets	11,371.54	25,859.24	14,487.70	127.40

Note: For detailed information of the valuation results, please refer to the statement of asset valuation.

(II) The valuation results based on the income approach

Upon valuation based on the income approach, the value of the entire equity interest in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司) was RMB233,142,800, representing an appreciation of RMB119,427,400 or 105.02% over the book value of net assets.

(III) Finalization of the valuation results

The valuation results based on the income approach are prone to the future profitability, quality of assets, operational abilities and operational risks of the enterprise, while the future profitability of the appraised entity is subject to significant uncertainties, as the traded commodity is likely to be materially affected by the market. The asset-based approach can reflect the fair market value of the assets from an asset replacement perspective. We had conducted a comprehensive review and valuation on the assets and liabilities of the appraised entities in accordance with the actual situations of this valuation, and based on the detailed information on assets and liabilities provided by the appraised entity and any necessary information required for the asset-based approach and obtained externally by the valuers, relatively speaking, the results based on the asset-based approach are considered more reliable. Accordingly, the results based on the asset-based approach are chosen as the final valuation conclusion in this valuation.

VIII. NOTES ON SPECIAL ISSUES

The following issues are beyond the practicing standards and capabilities that can be estimated by the Company's appraisal staff, but these issues may actually have impacts on the valuation conclusion. Users of this valuation report should pay particular attention to:

- (I) The "appraised value" referred to herein is a fair valuation presented for the purpose set out expressly herein on the assumption that the assets entrusted for evaluation maintain their uses on a going concern basis with conditions and external economic environments on the valuation base date, which shall bear no liability for any other purposes.
- (II) The valuation conclusion in the report reflects the market value of the evaluation objects for the purpose of the report on the basis of an open market, and does not include any fees or taxes that shall be borne in the ownership registration or change of relevant assets or makes no tax adjustments for the value addition of the assets evaluation. The valuation conclusion shall not be deemed as a guaranteed realizable price of evaluation objects.

(III) Where there are any changes in the number of assets and price standards within the effective term of the asset valuation conclusion, proper adjustments shall be made to the valuation conclusion instead of direct utilisation.

(IV) Limitations on the valuation procedures:

1. In this valuation, the registered asset valuers did not conduct any technical testing for all kinds of equipment in respect of their technology parameters and performance as at the valuation base date, and only make conclusions through on-site inspection on the assumption that all related technical information and the track records provided by the appraised entity are true and valid.
2. In this valuation, the registered asset valuers did not conduct any technical testing for various buildings (structures) in respect of their concealed works and internal structure (other than the observable parts with unaided eyes). The valuation conclusion on buildings and structures is made through on-site survey without any testing instrument aid and assuming that the relevant construction information provided by the appraised entity is true and valid.

(V) Outstanding matters in respect of laws and economy on the Valuation Base Date

The appraised entity didn't report any outstanding matters in respect of laws and economy on the Valuation Base Date during this Valuation, and nor did the valuers find any outstanding matters in respect of laws and economy.

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 March 2018 of the property interests held by Zhuhai Caizhu.



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1 June 2018

IRICO Group New Energy Company Limited

No. 1 Caihong Road
Xianyang City, Shanxi Province
The People's Republic of China

Dear Sirs,

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) is instructed by IRICO Group New Energy Company Limited (the “**Company**”) to provide valuation service on the properties in which Zhuhai Caizhu Industrial Co., Ltd. (“**Zhuhai Caizhu**”), a wholly-owned subsidiary of the Company, have interests in the People's Republic of China (the “**PRC**”) for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 March 2018 (the “**valuation date**”).

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interests of properties nos. 1 to 7 of Group I which are held for investment by Zhuhai Caizhu and portion of property no.1 in Group II which are held for owner occupation by Zhuhai Caizhu by the comparison method assuming sale of the each property in its exiting state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property.

Due to the nature of the buildings of property no. 9 in Group I and the particular location in which it is situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interest has been valued by the cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have attributed no commercial value to the property no. 8 in Group II, which has collapsed and also has no proper title document.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and Zhuahai Caizhu, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including a State-owned Land Use Rights Certificate, a Building Ownership Certificate and Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests. We have relied considerably on the advice given by the Company's PRC legal advisers – Shanxi Weimin Law Firm, concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also sought confirmation from the Company and Zhuhai Caizhu that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out from 9 March to 11 March 2018 by Echo Li who is a China Certified Real Estate Appraiser and has 11 years' experience in the property valuation in the PRC.

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,

for and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert C.H. Chan

MRICS MHKIS RPS (GP)

Director

Note:

Gilbert C. H. Chan is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

Group II: Property interests held and occupied by Zhuhai Caizhu in the PRC

No.	Property	Market value	Market value	Market value
		in existing state	in existing state	in existing state
		as at	as at	as at
		31 March 2018	31 March 2018	31 March 2018
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		Group I	Group II	Total
1.	3 industrial buildings located at Nos. 16 and 18 Jingle Road, Jida Area, Xiangzhou District Zhuhai City Guangdong Province The PRC	66,610,000	17,200,000	83,810,000
2.	2 residential units located at Building nos. 18 and 20 of Yuanlin Garden, No. 1 Yuanlin Road, Jida Area, Xiangzhou District Zhuhai City Guangdong Province The PRC	6,050,000		6,050,000
3.	14 residential units located at Building nos. 61 and 75, No. 113 Bailian Road, Jida Area, Xiangzhou District Zhuhai City Guangdong Province The PRC	19,470,000		19,470,000

No.	Property	Market value	Market value	Market value
		in existing state	in existing state	in existing state
		as at	as at	as at
		31 March 2018	31 March 2018	31 March 2018
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		Group I	Group II	Total
4.	3 residential units located at Building no. 61, No. 176 Bailian Road, Jida Area Xiangzhou District Zhuhai City Guangdong Province The PRC	4,920,000		4,920,000
5.	2 residential units located at Building nos. 27 and 37 of Jinzhong Garden, No. 2 Lanpu Road Xiangzhou District Zhuhai City Guangdong Province The PRC	2,740,000		2,740,000
6.	6 residential units located at Building no. 6 of Zhengbang Lingxiu City, No. 8 Lingnan Road Xiangzhou District Zhuhai City Guangdong Province The PRC	7,210,000		7,210,000
7.	A residential unit located at Building no. 151, No. 33 Shenyu Road Gaoxin District Anshan City Liaoning Province The PRC	1,040,000		1,040,000

No.	Property	Market value	Market value	Market value
		in existing state	in existing state	in existing state
		as at	as at	as at
		31 March 2018	31 March 2018	31 March 2018
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		Group I	Group II	Total
8.	A 2-storey villa of Building no. C5 located at Fuhai Garden, Baixing Lake Area, Doumen County Zhuhai City Guangdong Province The PRC		No commercial value	Nil
9.	An industrial complex located at No. 10 Jialian Road Tanzhou Town Zhongshan City Guangdong Province The PRC	25,320,000		25,320,000
Total:		133,360,000	17,200,000	150,560,000

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

Group II: Property interests held and occupied by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
1.	3 industrial buildings located at Nos. 16 and 18 Jingle Road, Jida Area, Xiangzhou District Zhuhai City Guangdong Province The PRC	<p>The property comprises Levels 1 to 5 of an 8-storey industrial building (the “main building”) and two 2-storey industrial buildings connecting the main building on the two sides.</p> <p>The property was completed in 1989, having a total gross floor area of approximately 7,907.25 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 18 February 2039 for industrial use.</p>	Level 2 in a 2-storey building with a gross floor area of approximately 1,622.41 sq.m. (Group II) is currently occupied by Zhuhai Caizhu for office use, and the rest of the property (Group I) are rented to various tenants.	83,810,000

Notes:

- Pursuant to 7 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C2726281 to C2726285, C2726377 and C2726378, dated 4 February 2005, the property with a gross floor area of approximately 7,907.25 sq.m. is owned by Zhuhai Caizhu. The relevant land use rights of a parcel of land with a site area of approximately 1,481.22 sq.m. have been granted to Zhuhai Caizhu for a term expiring on 18 February 2039 for industrial use.
- According to several Tenancy Agreements, various units of the property with a total gross floor area of approximately 6,284.84 sq.m. were rented to various independent third parties for terms with the expiry dates between 2 June 2018 and 1 July 2019. The current total monthly rentals of such units were approximately RMB185,240 exclusive of management fees, water and electricity charges and other outgoings.
- We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB10,000 to RMB11,000 per sq.m. and appropriate adjustments and analysis are considered to the differences in location and floor area between the comparable properties and the property to arrive at an assumed unit rate of the property.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - Zhuhai Caizhu legally owns the property and has obtained the Real Estate Title Certificates; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with the PRC laws;
 - the property is not subject to mortgage, seal-up, freezing and other limited measures; and

- c. the Tenancy Agreements mentioned above are legal and valid, and the leasing activity could not be the legal impediment for the transfer of the property and the lessees have the priority to buy the property according to the tenancy agreements.
5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- (a) General description of location of the property : The property is located at Nos. 16 and 18 Jingle Road, Jida Area, Xiangzhou District, Zhuhai City, Guangdong Province. The area of the property is clustered with many industrial/office buildings and residential buildings. The locality of the property is well-served with retails, hotels, banks and parks.
- (b) Details of encumbrances, liens, pledges, mortgages against the property : Nil
- (c) Environmental Issue: : No environmental impact assessment has been carried out.
- (d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
- (e) Future plans for construction, renovation, improvement or development of the property : As advised by Zhuhai Caizhu, there is no plan for development in the next 12 months from the date of this document.
6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Gross floor area (sq.m.)	Market value in existing state as at the valuation date RMB
Group I	6,284.84	66,610,000
Group II	1,622.41	17,200,000
Total:	7,907.25	83,810,000

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
2.	2 residential units located at Building nos. 18 and 20 of Yuanlin Garden, No. 1 Yuanlin Road, Jida Area, Xiangzhou District Zhuhai City Guangdong Province The PRC	<p>The property comprises 2 residential units on Level 4 and Level 7 of two 8-storey residential buildings completed in 1994.</p> <p>The units have a total gross floor area of approximately 288.05 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 28 March 2062 for residential use.</p>	One unit of the property with a gross floor area of approximately 177.5 sq.m. is currently rented to an independent third party for residential purpose, and the other unit of the property is currently vacant.	6,050,000

Notes:

- Pursuant to 2 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di No. C2726376 dated 4 February 2005, and Yue (2016) Zhu Hai Shi Bu Dong Chan Quan Di No. 0006935 dated 22 January 2016, 2 residential units with a total gross floor area of approximately 288.05 sq.m. are owned by Zhuhai Caizhu. The relevant land use rights of the units have been granted to Zhuhai Caizhu for a term expiring on 28 March 2062 for residential use.

The Real Estate Title certificate – Yue (2016) Zhu Hai Shi Bu Dong Chan Quan Di No. 0006935 is the replacement certificate of Yue Fang Di Zheng Zi Di No. C2726373 dated 4 February 2005.
- According to a Tenancy Agreement, one unit of the property with a gross floor area of approximately 177.5 sq.m. was rented to an independent third party for a term with the expiry date on 31 January 2019. The monthly rent of such unit as at the valuation date were approximately RMB3,000, exclusive of management fees, water and electricity charges and other outgoings.
- We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB19,500 to RMB22,200 per sq.m. and appropriate adjustments and analysis are considered to the differences in storey and floor area between the comparable properties and the property to arrive at an assumed unit rate of the property.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Zhuhai Caizhu legally owns the property and has obtained the Real Estate Title Certificates; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with PRC laws;
 - the property is not subject to mortgage, seal-up, freezing and other limited measures; and
 - the Tenancy Agreement mentioned above is legal and valid, and the leasing activity could not be legal impediment for the transfer of the unit and the lessee has the priority to buy the units according to the tenancy agreement.

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
3.	14 residential units located at Building nos. 61 and 75, No. 113 Bailian Road, Jida Area, Xiangzhou District Zhuhai City Guangdong Province The PRC	<p>The property comprises 14 residential units on various levels of two 6-storey residential buildings completed in 1993.</p> <p>The units have a total gross floor area of approximately 1,040.5 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 18 February 2059 for residential use.</p>	The property is currently rented to various independent third parties for residential purpose.	19,470,000

Notes:

- Pursuant to 3 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C2726923 dated 3 February 2005, C3950376 and C3950378 dated 13 September 2005, the property with a gross floor area of approximately 1,040.5 sq.m. is owned by Zhuhai Caizhu. The relevant land use rights of the property have been granted to Zhuhai Caizhu for a term expiring on 18 February 2059 for residential use.
- According to several Tenancy Agreements, the property was rented to various independent third parties for terms with the expiry dates between 30 April 2018 and 14 November 2018. The total monthly rents of the property as at the valuation date were approximately RMB18,900, exclusive of management fees, water and electricity charges and other outgoings.
- We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB18,500 to RMB19,000 per sq.m. and appropriate adjustments and analysis are considered to the differences in storey and floor area between the comparable properties and the property to arrive at an assumed unit rate of the property.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Zhuhai Caizhu legally owns the property and has obtained the Real Estate Title Certificates; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with PRC laws;
 - the property is not subject to mortgage, seal-up, freezing and other limited measures; and
 - the Tenancy Agreements mentioned above are legal and valid, and the leasing activity could not be legal impediment for the transfer of the units and the lessees have the priority to buy the units according to the tenancy agreements.

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
4.	3 residential units located at Building no. 61, No. 176 Bailian Road, Jida Area, Xiangzhou District Zhuhai City Guangdong Province The PRC	<p>The property comprises 3 residential units on Level 4 and Level 7 of a 7-storey residential building completed in 1994.</p> <p>The units have a total gross floor area of approximately 276.93 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 18 February 2059 for residential use.</p>	The property is currently rented to various independent third parties for residential purpose.	4,920,000

Notes:

- Pursuant to 3 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C2726287, C2726372 and C2726375 dated 4 February 2005, 3 residential units with a total gross floor area of approximately 276.93 sq.m. are owned by Zhuhai Caizhu. The relevant land use rights of the units have been granted to Zhuhai Caizhu for a term expiring on 18 February 2059 for residential use.
- According to several Tenancy Agreements, the 3 units were rented to various independent third parties for terms with the expiry dates between 30 June 2018 and 14 July 2018. The total monthly rents of such units as at the valuation date were approximately RMB4,100, exclusive of management fees, water and electricity charges and other outgoings.
- We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB17,400 to RMB17,900 per sq.m. and appropriate adjustments and analysis are considered to the differences in storey and floor area between the comparable properties and the property to arrive at an assumed unit rate of the property.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Zhuhai Caizhu legally owns the property and has obtained the Real Estate Title Certificates; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with PRC laws;
 - the property is not subject to mortgage, seal-up, freezing and other limited measures; and
 - the Tenancy Agreements mentioned above are legal and valid, and the leasing activity could not be legal impediment for the transfer of the units and the lessees have the priority to buy the units according to the tenancy agreements.

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
5.	2 residential units located at Building nos. 27 and 37 of Jinzhong Garden, No. 2 Lanpu Road Xiangzhou District Zhuhai City Guangdong Province The PRC	<p>The property comprises 2 residential units on Level 2 and Level 6 of two 8-storey residential buildings completed in 1995.</p> <p>The units have a total gross floor area of approximately 170.46 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 21 December 2061 for residential use.</p>	The property is currently rented to 2 independent third parties for residential purpose.	2,740,000

Notes:

- Pursuant to 2 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C2726286 and C2726374 dated 4 February 2005, 2 residential units with a total gross floor area of approximately 170.46 sq.m. are owned by Zhuhai Caizhu. The relevant land use rights of the units have been granted to Zhuhai Caizhu for a term expiring on 21 December 2061 for residential use.
- According to 2 Tenancy Agreements, the 2 units were rented to 2 independent third parties for terms with the expiry dates between 30 May 2018 and 15 June 2018. The total monthly rent of such units as at the valuation date was approximately RMB3,200, exclusive of management fees, water and electricity charges and other outgoings.
- We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB15,700 to RMB16,000 per sq.m. and appropriate adjustments and analysis are considered to the differences in storey and floor area between the comparable properties and the property to arrive at an assumed unit rate of the property.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Zhuhai Caizhu legally owns the property and has obtained the Real Estate Title Certificates; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with PRC laws;
 - the property is not subject to mortgage, seal-up, freezing and other limited measures; and
 - the Tenancy Agreements mentioned above are legal and valid, and the leasing activity could not be legal impediment for the transfer of the units and the lessees have the priority to buy the units according to the tenancy agreements.

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
6.	6 residential units located at Building no. 6 of Zhengbang Lingxiu City, No. 8 Lingnan Road Xiangzhou District Zhuhai City Guangdong Province The PRC	<p>The property comprises 6 residential units on Levels 5, 20 and 22 to 25 of a 29-storey residential building completed in 2010.</p> <p>The units have a total gross floor area of approximately 261.03 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 22 August 2072 for residential use.</p>	The property is currently rented to various independent third parties for residential purpose.	7,210,000

Notes:

- Pursuant to 6 Real Estate Title Certificates – Yue Fang Di Quan Zheng Zhu Zi Di Nos. 0100309910, 0100310168 dated 7 August 2015, 0100309923 to 0100309925 dated 10 August 2015 and 0100310167 dated 11 August 2015, 6 residential units with a total gross floor area of approximately 261.03 sq.m. are owned by Zhuhai Caizhu. The relevant land use rights of the units have been granted to Zhuhai Caizhu for a term expiring on 22 August 2072 for residential use.

As advised by Zhuhai Caizhu, those six residential units were obtained in 2010 as replacement buildings, and Real Estate Title Certificates were applied in 2015.

- According to several Tenancy Agreements, the 6 units were rented to various independent third parties for terms with the expiry dates between 31 May 2018 and 15 June 2018. The total monthly rent of such units as at the valuation date was approximately RMB9,700, exclusive of management fees, water and electricity charges and other outgoings.
- We have identified and analyzed various relevant sales evidences in the locality that have similar characteristics as the property. The unit price of these comparable properties ranges from RMB26,200 to RMB27,900 per sq.m. and appropriate adjustments and analysis are considered to the differences in storey and floor area between the comparable properties and the property to arrive at an assumed unit rate of the property.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Zhuhai Caizhu legally owns the property and has obtained the Real Estate Title Certificates; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with PRC laws;
 - the property is not subject to mortgage, seal-up, freezing and other limited measures; and
 - the Tenancy Agreements mentioned above are legal and valid, and the leasing activity could not be legal impediment for the transfer of the units and the lessees have the priority to buy the units according to the tenancy agreements.

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
7.	A residential unit at Building no. 151, No.33 Shenyu Road Gaoxin District Anshan City Liaoning Province The PRC	The property comprises a residential unit on Level 6 of an 11-storey residential building completed in 2003. The property has a total gross floor area of approximately 138.88 sq.m.	The property is currently rented to an independent third party for residential use.	1,040,000.00

Notes:

- Pursuant to a Real Estate Transfer Agreement that was signed on 12 September 2016, the property is taken by Zhuhai Caizhu as the collateral for the repayment of the loan owed by original property owner at a consideration of RMB1,110,000.
- Pursuant to a Building Ownership Certificate – An Fang Quan Zheng Gao Xin Zi Di No. gx201611270022 dated 1 December 2016, the property with a gross floor area of approximately 138.88 sq.m. is owned by Zhuhai Caizhu.
- According to a Tenancy Agreement, the property was rented to an independent third party for term with the expiry date on 30 September 2018. The total monthly rent of such unit as at the valuation date was approximately RMB1,250, exclusive of management fees, water and electricity charges and other outgoings.
- We have identified and analyzed various relevant sales evidences in the locality that have similar characteristics as the property. The unit price of these comparable properties ranges from RMB7,500 to RMB7,700 per sq.m. and appropriate adjustments and analysis are considered to the differences in storey and floor area between the comparable properties and the property to arrive at an assumed unit rate of the property.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Zhuhai Caizhu legally owns the property and has obtained the Building Ownership Certificate; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with PRC laws;
 - the property is not subject to mortgage, seal-up, freezing and other limited measures; and
 - the Tenancy Agreement mentioned above is legal and valid, and the leasing activity could not be legal impediment for the transfer of the unit and the lessee has the priority to buy the units according to the tenancy agreement.

VALUATION CERTIFICATE

Group II: Property interests held and occupied by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
8.	A 2-storey villa of Building no. C5 located at Fuhai Garden, Baixing Lake Doumen County Zhuhai City Guangdong Province The PRC	The property comprises a 2-storey villa completed in 1996. The property has a gross floor area of approximately 263 sq.m.	The property has collapsed.	No commercial Value

Notes:

1. Pursuant to a Real Estate Title Certificate – Yue Fang Di Zheng Zi Di No. 0429964 dated 20 June 1996, the property with a gross floor area of approximately 263 sq.m. is owned by Zhuhai Caizhu Industrial Corporation (珠海彩珠實業總公司 “**Caizhu Industrial**”, the former name of Zhuhai Caizhu).
2. We have not been provided with State-owned Land Use Rights Certificate of the property.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. the registered owner of the property is Caizhu Industrial rather than Zhuhai Caizhu;
 - b. the property is collective-owned land use rights and there is no Land Use Rights Certificate; and
 - c. the property has collapsed and has transfer barriers.

VALUATION CERTIFICATE

Group I: Property interests held for investment by Zhuhai Caizhu in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 RMB
9.	An industrial complex located at No. 10 Jialian Road, Tanzhou Town, Zhongshan City, Guangdong Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 16,312.5 sq.m. and 5 buildings erected thereon completed in 2001.</p> <p>The buildings have a total gross floor area of approximately 9,771.41 sq.m. They include 2 factories, an accommodation building, a canteen house and a guard room.</p> <p>The land use rights of the property have been granted for a term expiring on 2 June 2042 for industrial use.</p>	<p>A portion of the building with a gross floor area of approximately 6,724.84 sq.m. was rented to two independent third parties for office and ancillary uses and the rest of the building is currently used as storage by Zhuhai Caizhu.</p>	25,320,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2015) Di No. 3300943 dated 29 June 2015, the land use rights of a parcel of land of the property with a site area of approximately 16,312.5 sq.m. have been granted to Zhuhai Caizhu for a term expiring on 2 June 2042 for industrial use.

According to a Land Use Rights Transfer Agreement signed on 5 July 1992, Zhuhai Caizhu purchased the land use rights of the property from a third party at that time, and applied for the State-owned Land Use Rights Certificate in 2015.
- Pursuant to a Real Estate Title Certificate – Yue Fang Di Quan Zheng Zhong Fu Zi Di No. 0115008308, the property with a gross floor area of approximately 9,771.41 sq.m. is owned by Zhuhai Caizhu.
- According to two Tenancy Agreements, a portion of the property with a gross floor area of approximately 6,724.84 sq.m. were rented to two independent third parties for a term expiring on 31 December 2019. The total monthly rent as at the valuation date was approximately RMB93,350, exclusive of management fees, water and electricity charges and other outgoings.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Zhuhai Caizhu legally owns the property and has obtained the Land Use Rights Certificate and Real Estate Title Certificate; Zhuhai Caizhu can use, transfer, lease and dispose of the property in accordance with PRC laws;
 - b. the property is not subject to mortgage, seal-up, freezing and other limited measures; and
 - c. the Tenancy Agreements mentioned above are legal and valid, and the leasing activity could not be legal impediment for the transfer of the property.
5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- (a) General description of location of the property : The property is located at No. 10 Jialian Road, Tanzhou Town, Zhongshan City, Guangdong Province. The area of the property is clustered with many industrial buildings. The property is situated on the south of Jialian Road and east of Dongping Road. It is about 4.5 kilometers far from Mingzhu Railway Station.
- (b) Details of encumbrances, liens, pledges, mortgages against the property : Nil
- (c) Environmental Issue : No environmental impact assessment has been carried out.
- (d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
- (e) Future plans for construction, renovation, improvement or development of the property : As advised by Zhuhai Caizhu, there is no plan for development in the next 12 months from the date of this document.

1. RESPONSIBILITY STATEMENT

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

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

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

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

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

3. COMPETING INTERESTS

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

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

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. CONSENT AND QUALIFICATION OF EXPERTS

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

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

- (b) As at the Latest Practicable Date, the above experts did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and it had no interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) On the Latest Practicable Date, the above experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and reference to its name and letter, where applicable, in the form and context in which it appears.

6. SERVICE CONTRACTS

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

7. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS FOR INSPECTION

Copy of the Equity Transfer Agreement will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit 1908, 19th Floor, 9 Queen's Road Central, Central, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular.