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If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealers in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares of **Lingbao Gold Group Company Ltd.**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agents through whom the sale was effected for transmission to the purchaser or the transferee.

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**Lingbao Gold Group Company Ltd.**

**靈寶黃金集團股份有限公司**

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

**(Stock code: 3330)**

**(1) MAJOR TRANSACTION IN RELATION TO  
DISPOSAL OF 60% EQUITY INTEREST IN  
A WHOLLY-OWNED SUBSIDIARY  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM to be held at 3rd floor of the registered office of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC on Tuesday, 26 September 2017 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A reply slip and a form of proxy are also enclosed. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. In order to be valid, the proxy form must be deposited by hand or by post, for holders of H Shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the meeting or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish.

11 August 2017

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## DEFINITIONS

*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 7 July 2017 relating to, the Equity Transfer Agreement and the transactions contemplated thereunder
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Company”	Lingbao Gold Group Company Ltd, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal
“Consideration”	a total consideration of RMB637,240,463.33 payable by the Purchaser to the Company in respect of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 60% equity interest in Lingbao Wason by the Company to the Purchaser pursuant to the terms and conditions in the Equity Transfer Agreement
“EGM”	the extraordinary general meeting of the Company to be held at the office of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC on Tuesday, 26 September 2017 at 9:00 a.m.
“Equity Transfer Agreement”	the equity transfer agreement dated 7 July 2017 entered into between the Company and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)
“H Shares”	the overseas listed foreign shares of the Company with a nominal value of RMB0.20 each in the share capital of the Company, which are listed on the Stock Exchange

## DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is(are) independent of the Company and its connected persons (within the meaning of the Listing Rules)
“Latest Practicable Date”	8 August 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lingbao Wason”	靈寶華鑫銅箔有限責任公司 (Lingbao Wason Copper-Foil Co., Ltd. <sup>#</sup> ), a company incorporated in the PRC with limited liability and is a wholly owned subsidiary of the Company
“Lingbao Wason Group”	Lingbao Wason and its subsidiary
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	北京中鑫澤匯投資有限公司 (Beijing Zhongxin Zehui Investment Company Limited <sup>#</sup> ), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary shares of nominal value of RMB0.20 each in the share capital of the Company
“Shareholder(s)”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company

<sup>#</sup> for identification purposes only



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**Lingbao Gold Group Company Ltd.**

**靈寶黃金集團股份有限公司**

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

**(Stock code: 3330)**

**Directors:**

*Executive Directors:*

Mr. Chen Jianzheng (*Chairman*)

Mr. Wang Leo

Ms. Zhou Xing

Mr. Zhao Kun

Mr. Xing Jiangze

*Non-executive Director*

Mr. Shi Yuchen

*Independent Non-Executive Directors:*

Mr. Yang Dongsheng

Mr. Han Qinchun

Mr. Wang Jiheng

Mr. Wang Guanghua

*Supervisors:*

Mr. Wang Guodong

*(Chairman of the Supervisory Committee)*

Mr. Yao Shun

Mr. Guo Xurang

Mr. Meng Shouji

Mr. Jiao Xiaoxiao

*Registered address:*

Hangu Road and

Jingshan Road Intersection

Lingbao

Henan

The PRC

*Principal place of business*

*in Hong Kong:*

Room 1902

China Evergrande Centre

38 Gloucester Road

Wanchai

Hong Kong

11 August 2017

*To the Shareholders*

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO  
DISPOSAL OF 60% EQUITY INTEREST IN  
A WHOLLY-OWNED SUBSIDIARY  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

## LETTER FROM THE BOARD

### INTRODUCTION

Reference is made to the Announcement in relation to the Equity Transfer Agreement and the transactions contemplated thereunder.

As disclosed in the Announcement, on 7 July 2017, the Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to acquire 60% equity interest in Lingbao Wason at a Consideration of RMB637,240,463.33. Upon Completion, Lingbao Wason will cease to be a subsidiary of the Company.

The purpose of this circular is to provide you with further information regarding, among other things, (a) the Equity Transfer Agreement and the transactions contemplated thereunder and (b) the notice of EGM.

### EQUITY TRANSFER AGREEMENT

#### Date

7 July 2017

#### Parties

- (i) Purchaser: Beijing Zhongxin Zehui Investment Company Limited<sup>#</sup> (北京中鑫澤匯投資有限公司). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.
- (ii) Vendor: The Company.

#### Assets to be disposed of

Lingbao Wason is a directly wholly-owned subsidiary of the Company, and 100% equity interest in Lingbao Wason has been pledged by the Company to The Export-Import Bank of China. The assets to be disposed of under the Equity Transfer Agreement is 60% equity interest in Lingbao Wason held by the Company.

#### Consideration

Pursuant to the Equity Transfer Agreement, the Consideration for the Disposal of RMB637,240,463.33 was determined after arm's length negotiations between the Company and the Purchaser, which represented 60% of the higher of (i) the price earnings multiple of 9 times of the profit after tax extracted from the audited local statutory financial statements of Lingbao Wason of RMB118,007,493.21 for the financial year ended 31 December 2016; and (ii) the fair market value of Lingbao Wason Group as at 31 December

<sup>#</sup> for identification purposes only

## LETTER FROM THE BOARD

2016 according to the valuation result for the entire equity interest of Lingbao Wason appraised by the valuer recognized by the Company and the Purchaser. The price earnings multiple of 9 times is determined by the Board after (i) making analysis on price earnings ratio of other companies in the PRC whose principal activities, business structure and financial position are similar to Lingbao Wason Group, and the average price earnings ratio of the above mentioned companies was about 9 times; and (ii) taking into account of the business prospects of Lingbao Wason Group. The Board considers that the use of the price earnings multiple of 9 times as a factor to determine the Consideration is fair and reasonable. 60% of the profit after tax of Lingbao Wason for the year ended 31 December 2016 multiplied by the abovementioned price earnings multiple of 9 times is RMB637,240,463.33. The valuation result for the entire equity interest of Lingbao Wason appraised by Carea Assets Appraisal Co., Ltd. (the "Valuer") is RMB1,049,290,000 and the valuation result for 60% of the equity interest in Lingbao Wason is RMB629,574,000.

The Consideration is to be settled as follows:

- (i) On 9 May 2017, the Purchaser paid RMB20,000,000, being the initial deposit, to an escrow bank account jointly controlled by the Company and the Purchaser;
- (ii) RMB617,240,463.33, representing the remaining balance of the Consideration, shall be paid to the escrow bank account jointly controlled by the Company and the Purchaser within 5 business days from the date of the EGM to approve the resolution in relation to the Disposal; and
- (iii) all the balance in the escrow bank account shall be released to the Company within 3 business days from the completion date of the industrial and commercial registration formalities for changes in relation to the Disposal.

As the Valuer has applied the income approach in preparing the valuation report for the equity interest of Lingbao Wason, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. For preparation of the valuation report, the following principal assumptions (including commercial assumptions) are adopted by the Valuer:

1. there will be no major changes in the existing laws and regulations or macroeconomics of the PRC, or political, economic and social environment in which Lingbao Wason Group carries on the business;
2. there will be no major changes in the current taxation law, relevant taxation basis or tax rates where Lingbao Wason Group operates and Lingbao Wason will continue to be classified as a high and new technology enterprise and subject to an income tax rate of 15%;
3. the credit policy and interest rates will remain stable for the forecast period;
4. Lingbao Wason will have sufficient sources of capital, and there will be no capital issue which may result in any difficulty in respect of its operational plans;
5. the valuation does not take into account the effects of inflation or deflation;

## LETTER FROM THE BOARD

6. the historical financial data and future earnings forecast data provided by Lingbao Wason are true, accurate and complete; and
7. the existing management methods and management level, the scope of business of Lingbao Wason remain materially unchanged and Lingbao Wason will retain competent management and technical staff to support its ongoing operations.

Full contents of the valuation report, including details of the assumptions, basis and methodology of the valuation are included in this circular as Appendix I(A).

Based on the information currently available, the Directors are of the view that the valuation report prepared by the Valuer has been made after due and careful enquiry. A report from the Company's auditor and a report from the Company's financial adviser with respect to the valuation report as required under Rule 14.62 of the Listing Rules are also included in this circular as Appendix I(B).

### **Conditions Precedent**

Completion of the Disposal is conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders at the EGM to approve the Equity Transfer Agreement by the Company and the transactions contemplated thereunder;
- (b) completion of the industrial and commercial registration of changes for the Disposal;
- (c) the pledge of 100% equity interest in Lingbao Wason made by the Company to The Export-Import Bank of China having been discharged;
- (d) the Company and the Purchaser confirming that the Disposal having been complied with the relevant laws, regulations and relevant requirements as set out in the articles of association of both the Company and the Purchaser upon signing the Equity Transfer Agreement; and
- (e) all necessary approvals required under the laws, rules and in relation to the Disposal having been obtained.

The conditions precedent set out in the Equity Transfer Agreement are not waivable by the Company or the Purchaser.

As at the Latest Practicable Date, except the condition set out in item (d), no other conditions set out above has been fulfilled.



## LETTER FROM THE BOARD

### Completion

The Completion shall take place within 3 business days after the industrial and commercial registration formalities for changes in relation to the Disposal have been completed (which in turn should take place within 25 business days from the date when the Disposal is approved by the Shareholders (unless otherwise agreed between the parties)).

Pursuant to the Equity Transfer Agreement, the Purchaser has undertaken to provide a loan of no less than RMB700,000,000 within six months to Lingbao Wason after the Completion for replenishment of its working capital, and part of such fund will be used for the purpose of repayment of debts owed by Lingbao Wason.

Lingbao Wason has issued an undertaking letter to the Company that Lingbao Wason will settle all debts owed to the Company of RMB504,493,543.51 within one year from 5 July 2017.

### Liability for breach of the Equity Transfer Agreement

If after the Disposal has been approved by the Shareholders at the EGM, the Disposal fails to complete as caused by the Company, the Company shall be liable for breach of agreement and shall pay a default fine amounting to 20% of the total Consideration. If the Purchaser fails to pay the Consideration pursuant to the Equity Transfer Agreement, the Purchaser shall be liable for breach of the agreement and shall pay a default fine amounting to 20% of the total Consideration.

### INFORMATION ON LINGBAO WASON

Lingbao Wason is a company incorporated in the PRC with a registered capital of RMB180 million. Lingbao Wason Group is principally engaged in the production and sale of copper foil and flexible copper clad laminate.

The following is a summary of the consolidated financial information of Lingbao Wason Group for the two years ended 31 December 2015, 31 December 2016 and five months ended 31 May 2017:

	As at 31 December 2015 (audited) RMB'000	As at 31 December 2016 (audited) RMB'000	As at 31 May 2017 (unaudited) RMB'000
Total Assets	1,604,521	1,791,968	1,754,125
Net Assets	340,445	449,789	250,818

## LETTER FROM THE BOARD

	For the year ended 31 December 2015 (audited) <i>RMB'000</i>	For the year ended 31 December 2016 (audited) <i>RMB'000</i>	For the period ended 31 May 2017 (unaudited) <i>RMB'000</i>
Profit before taxation	43,898	126,890	75,217
Profit after taxation	38,532	109,344	62,458

The consolidated financial information extracted from the audited local statutory financial statements of Lingbao Wason Group for the two years ended 31 December 2015 and 31 December 2016 are prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the “PRC GAAP”), whereas the consolidated financial information for the five months ended 31 May 2017 are based on the unaudited management accounts of Lingbao Wason Group.

### INFORMATION ON THE GROUP

The Group is an integrated gold mining enterprise in the PRC, and is mainly engaged in gold mining, smelting, refining and copper processing.

### INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability, and is mainly engaged in investment and investment management.

### FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will still have 40% equity interest in Lingbao Wason and Lingbao Wason Group will cease to be subsidiaries of the Group. The financial results of Lingbao Wason Group will cease to be consolidated into the consolidated financial statements of the Group after Completion. Lingbao Wason will be an associate of the Company after the Disposal and the 40% equity interest in Lingbao Wason is to be retained.

Accordingly, based on the unaudited financial position of Lingbao Wason Group as at 31 May 2017, it is expected upon completion of the Disposal, the total assets and total liabilities of the Group will be decreased as the results of Lingbao Wason Group will no longer be consolidated into the Group’s consolidated statement of financial position. The net assets of the Group will be increased based on the estimated gain on the Disposal.

It is estimated that the Group will record a gain before tax on Disposal of approximately RMB806 million, as if the Disposal had taken place on 31 May 2017. Such gain is estimated based on the estimated fair value of Lingbao Wason Group of approximately RMB1,062 million less (i) the carrying value of the net asset of Lingbao Wason Group in the unaudited consolidated financial statements of the Group as at 31 May 2017 of approximately RMB253 million; and (ii) the estimated expenses directly related to the Disposal of approximately RMB3 million.

## LETTER FROM THE BOARD

However, the net asset value of Lingbao Wason Group as at the date of Completion may be different from the net asset value as at 31 May 2017. Such difference may result from a number of factors including, but not limited to, Lingbao Wason Group's results of operation during the period from 31 May 2017 to the date of Completion. The actual accounting gain or loss will be calculated at the date of Completion by reference to the net asset value of Lingbao Wason Group at that time.

### REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

As mentioned above, the Company is principally engaged in gold mining, smelting and refining. The Company acquired Lingbao Wason in 2008 and started the business of copper foil manufacturing. The Disposal is a step taken by the Company to realize part of its investment in Lingbao Wason and be more focused on the mining and smelting business which is the principal business of the Group, while giving the Group option for potential new investment opportunities that may arise focusing on the principal businesses. The Group has been focusing on gold mining and smelting business for over 10 years and the employees of the Group have more experiences on the above business, therefore, after the Disposal, the Directors and senior management of the Company will put more efforts in the gold mining and smelting business, such as the exploitation and renovation of the gold mines. The Group also has identified a potential new investment opportunity, which is a smelting company located in Lingbao City, and the Group is planning the strategic investment in such smelting company. As mentioned above, the Purchaser has undertaken to provide a loan to Lingbao Wason to supplement working capital and repay debts, which will further facilitate the business development of Lingbao Wason. In addition, the Company will still have 40% equity interest in Lingbao Wason after Completion, therefore the Company still can enjoy the benefit from the future development of Lingbao Wason Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board intends to use (i) approximately RMB160 million for the acquisition of a smelting company; (ii) approximately RMB300 million to repay certain bank borrowings for the purpose of adjustment of debt structure; and (iii) the remaining balance will be used for general working capital, (including exploitation and renovation of gold mines).

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### EGM

A notice of the EGM to be held at the office of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC on Tuesday, 26 September 2017 at

## LETTER FROM THE BOARD

9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular, for the Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A reply slip and a form of proxy are also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon. In order to be valid, the proxy form must be deposited by hand or by post, for holders of H shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the meeting or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM if you so wish.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Equity Transfer Agreement and the Disposal, thus no Shareholder is required to abstain from voting in relation to the resolution to be proposed for approving the Equity Transfer Agreement and the Disposal at the EGM.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Equity Transfer Arrangement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend you to vote in favour of the resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

Yours faithfully  
By order of the Board  
**Lingbao Gold Group Company Ltd.**  
**Chen Jianzheng**  
*Chairman*

## Valuation Report

**The value of the all shareholder equity interest of Lingbao Wason Copper-Foil Co., Ltd. in relation to Beijing Zhongxin Zehui Investment Company Limited's intended acquisition of 60% equity interest in Lingbao Wason Copper-Foil Co., Ltd. held by Lingbao Gold Group Company Ltd.**  
Kai Yuan Ping Bao Zi [2017] No. 232

Beijing Zhongxin Zehui Investment Company Limited and Lingbao Gold Group Company Ltd.,

Carea Assets Appraisal Co., Ltd. accepts the engagement of your companies to value pursuant to the relevant laws, regulation, assets valuation criteria and asset valuation principles according to the essential valuation formula and income approach the market value as at 31 December 2016 of all shareholder equity interests of Lingbao Wason Copper-Foil Co., Ltd., of which Beijing Zhongxin Zehui Investment Company Limited intends to acquire 60% equity interest in Lingbao Wason Copper-Foil Co., Ltd. held by Lingbao Gold Group Company Ltd. The valuation report is given as follows:

### **I. PRINCIPAL, THE VALUATED ENTITY AND OTHER VALUATION REPORT USERS AGREED IN THE BUSINESS AGREEMENT**

#### **1. Principal I**

Full name of entity: Beijing Zhongxin Zehui Investment Company Limited

Unified social credit code: 91110106MA002U8K4D

Address: 202-A001 Level 2, 1 of Court No. 91 3rd Ring Road South, Fengtai District, Beijing

Type: Limited liability company (natural sole proprietorship)

Registered capital: RMB5 million

Legal representative: Li Jie

Date of incorporation: 29 December 2015

Scope of business: Investment and asset management, investment management, investment consultation, project investment, financial consultation. (1. No public fundraising shall be pursued without approval from related authorities; 2. No public trading activities of securities products and financial derivatives are allowed; 3. No loan granting is allowed; 4. No guarantee shall be provided for companies other than those invested; 5. No warranty shall be made to investors that the investment principal will suffer no loss or warrant minimum income. Business items approved under the law shall not be carried out until approval is granted by the relevant authorities and shall be conducted within the approved content.)

## 2. Principal II

Full name of entity: Lingbao Gold Group Company Ltd.

Unified social credit code: 91410000742545894R

Address: Hangu Road and Jingshan Road intersection, Lingbao City, Henan Province

Type: company limited by shares (listed)

Short Name: Lingbao Gold, stock code: 3330

Registered capital: RMB One hundred and fifty-four million forty-nine thousand eight hundred and eighteen

Legal representative: Chen Jianzheng

Date of incorporation: 27 September 2002

Scope of business: Mineral products mining and washing, refining, intensive processing and sale of mineral products (with permits); sale of mine machineries, hardware & electrical equipment and office equipment; import and export of goods and technologies (except goods and technologies limited or prohibited by the nation).

On 9 May 2017, the Company name was changed from Lingbao Gold Company Ltd. to Lingbao Gold Group Company Ltd.

## 3. Valuated entity

The valuated entity in this valuation is Lingbao Wason Copper-Foil Co., Ltd. The basic information of the valuated entity is as follows:

### 1) *Registration data and basic information*

Name: Lingbao Wason Copper-Foil Co., Ltd (hereinafter referred to as "Wason Copper-Foil")

Unified social credit code: 91411282732469584Y

Address: Southeast corner of junction of China National Highway 209 and Yanshan Boulevard, Lingbao City

Legal representative: Li Ying'en

Registered capital: One hundred and eighty million only

Type: Limited liability company (wholly-owned company invested or controlled by non-natural person)

Period of operation: 19 October 2001 to 18 October 2025

Scope of business: Production and sale of copper-foil. Operation of self-produced products and import of related technologies except goods and technologies restricted or prohibited by the state.

2) *History and changes of the valuated entity*

(1) *History and changes*

Wason Copper-Foil is a limited liability company established in October 2001 with investments from four legal persons, namely Lingbao City Gold Refiner, Henan Provincial Cotton & Hemp Company, Qiangma Gold Mine and Lingbao City Yin Xin Mine Co. Ltd, and natural person Yang Yaofeng with registered capital of RMB30,000,000. The report Ling Yong Kuai Yan Zi (2001) No. 87 was issued upon examination of Lingbao Yonglin Accountant Firm.

According to the resolution passed at the third shareholders' meeting of Wason Copper-Foil on 16 September 2002, Lingbao City Gold Refiner, Lingbao City Qiangma Gold Mine and Lingbao City Yin Xin Mine Co. Ltd agreed to transfer their investments held in the Company to Lingbao State-owned Assets Operation Limited Liability Company on one-off basis. Lingbao State-owned Assets Operation Limited Liability Company agreed to accept the equity and signed the Agreements on Shareholder Equity Transfer on 17 September 2002 separately.

According to the resolution passed at the Company's fourth shareholders' meeting of Wason Copper-Foil on 28 May 2005, Lingbao State-owned Assets Operation Limited Liability Company agreed to transfer the investments it held in Wason Copper-Foil to Lingbao City Jincheng Finance and Investment Center on one-off basis. Lingbao City Jincheng Finance and Investment Center agreed to accept the equity and signed the Agreements on Shareholder Equity Transfer on 29 May 2005.

According to the resolution passed at the general meeting of Wason Copper-Foil on 27 December 2007, Henan Province Yumian Group Industrial Co., Ltd (born from ownership restructuring of Henan Provincial Cotton & Hemp Company) shall transfer all the equity interest it held in the Company to Lingbao City Jincheng Finance and Investment Center. The two parties signed the Agreements on Equity Transfer on 27 December 2007.

According to the resolution passed at the extraordinary general meeting of Wason Copper-Foil on 28 December 2007, the Company's natural person Yang Yaofeng shall transfer the equity interest he held in the Company to Lingbao City Jincheng Finance and Investment Center. Both parties signed the "Contract on the Transfer of the Equity Interest in Wason Copper-Foil" on 28 December 2007.

According to the Contract on the Transfer of Equity entered into by Lingbao City Jincheng Finance and Investment Center and Lingbao Gold Group Company Ltd. dated 21 March 2008, Jincheng Finance and Investment Center shall transfer all the equity interest it held in Wason Copper-Foil to Lingbao Gold Group Company Ltd.

According to the 23rd session of the second Board of Directors of Wason Copper-Foil in 2008, Wason Copper-Foil shall increase its registered capital by RMB130,000,000 with contribution from Lingbao Gold Group Company Ltd. Such capital increase was verified by Lingbao Yonglin Accountant Firm which issued the capital verification report Ling Yong Kuai Yan Zi (2008) No. 154. After the change, the capital shall be RMB160,000,000 with paid-in capital in the amount of RMB159,556,600.

In July 2008, Lingbao Gold Group Company Ltd. increased the capital by RMB20 million. After the change, the registered capital was RMB180,000,000 with paid-in capital in the amount of RMB179,556,600.

In May 2012, Lingbao Gold Group Company Ltd. increased the investment by RMB443,400. After the change, the registered capital was RMB180,000,000 with paid-in capital in the amount of RMB180,000,000.

As at the valuation base date, no changes took place in shareholder structure.

(2) *About the company*

Wason Copper-Foil is a modern hi-tech company which produces high-end electrolytic copper-foil in Henan province, it is the wholly-owned subsidiary of Lingbao Gold Group Company Ltd., a company listed in Hong Kong (Stock code: 03330). Wason Copper-Foil was incorporated in 2001 with current registered capital at RMB0.18 billion and total asset value in the amount of RMB1.7 billion. It has more than 800 employees, 70% of whom have post-secondary academic level or above. Wason Copper-Foil has been awarded with honours including "High and New Technology Enterprise" and one of the top 20 companies in the new materials sector in Henan province, "Ten Best Technologies" company in Henan province, exemplary company of technologically innovation in Henan province, Famous Brand Product in Henan province, Sanmenxia Mayor Quality Award and one of the Top 20 High Companies in Sanmenxia City.

Wason Copper-Foil owns world-class production, inspection, surface processing and slitting facilities. It is one of the leaders in research and development and has set up scientific research platforms including the Henan Technological Research Center of Electrolytic Copper-Foil Engineering and Henan High-End Electrolytic Copper-Foil



Academician Station. In recent years, Wason Copper-Foil has been granted a number of patents and completed projects at the national, provincial and municipal levels. The project “Research of High-end Redden Copper and its Application to Production” has won the Third Prize of Technological Advancement in Henan province, project “Joint Research of Critical Technology of 8-12 $\mu$ m High-end High-temperature Elongation Electrolytic Copper-Foil” was recognized as international scientific technological cooperation project by the Ministry of Science and Technology, the project “Research & Development of Critical Technology Dual Face High-end Lithium Battery Electrolytic Copper-Foil” was recognized as significant scientific technological project in Henan, the findings from projects “Research of Critical Technology of 8-12 $\mu$ m High-end High-temperature Elongation Electrolytic Copper-Foil” and “The Research of 12 $\mu$ m Flexible PI Membrane-based Composite Electrolytic Copper-Foil and its Application” were recognized to have reached world advanced level by experts. The premium HTE Copper-Foil currently under study has been extensively adopted by the Japanese Panasonic. Wason Copper-Foil has become its qualified domestic supplier.

Currently, Wason Copper-Foil produces electrolytic copper-foil of more than 20 specifications ranging from 6 $\mu$ m to 400 $\mu$ m. The products have been applied by different high-end sectors including multilayer printed circuit board and lithium battery. Wason Copper-Foil’s annual output is above 20,000 tonnes with annual sales income of above RMB1 billion. Standard foil produced by Wason Copper-Foil has been used by famous domestic and overseas companies including Panasonic Japan, Samsung Electro-Mechanics, Iteq Corporation and Grace T.H.W. Group. Its lithium batteries have been used by first-class companies including BYD and BAK as well as lithium battery producers within Henan including Huanyu Power in Xinxiang, China Aviation Lithium Battery in Luoyang and Do-Fluoride Chemicals in Jiaozuo.

3) *Financial and business statuses of the valuated entity in the last 3 years*

(1) *Assets and liabilities of the last 3 years:*

*Unit: RMB’00,000*

<b>Item</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total asset	159,589.59	160,052.13	179,974.13
Total liabilities	128,836.06	124,800.85	132,922.09
Shareholder’s equity	30,753.53	35,251.29	47,052.04

(2) *Company results of the last 3 years**Unit: RMB'00,000*

Item	2014	2015	2016
I. Operating income	95,387.74	98,333.39	117,239.05
Less: Operating costs	80,219.84	81,701.36	89,848.81
Tax and surcharge	120.29	350.39	673.18
Costs of sale	2,045.50	1,998.74	2,926.20
Administrative expenses	4,510.83	4,631.02	4,933.82
Finance costs	2,423.31	1,184.24	2,526.56
Asset impairment loss	698.91	3,815.34	2,829.38
Gains from changes in fair value	-119.41	13.51	-
Investment income	10.50	54.12	-
II. Operating profits	5,260.15	4,719.92	13,501.10
Plus: Non-operating income	108.64	343.94	326.10
Less: Non-operating expenses	2.99	29.46	271.81
IV. Total profits	5,365.81	5,034.40	13,555.38
Less: Profits tax expenses	644.84	536.65	1,754.63
V. Net profits	4,720.97	4,497.76	11,800.75

The above financial data for the year 2014 has been audited by the Henan branch office of Shanghai Zhongqin Wanxin Accounting Firm Co., Ltd (Special General Partnership); the financial data for the years 2015 and 2016 have been audited by the Shanghai branch office of KPMG Huazhen (Special General Partnership), which issued the Audit Report referenced KPMG Huazhen Hu Shen Zi No. 1702084.

4) *Other statuses of the valuated entity which should be declared*(1) *Major accounting policies currently used by the valuated entity:*

- ① Accounting period: The accounting year starts from 1 January and ends on 31 December of the solar calendar;
- ② Bookkeeping base currency: The bookkeeping base currency is the Renminbi;
- ③ Accounting system: The Accounting Standards for Business Enterprises are exercised;
- ④ Impairment of assets:

Assess impairment loss of receivables with individual approach and combined approach.

When valuating with individual approach, if the current value of forecast cash flow of receivables (excluding future credit loss not yet incurred) discounted on the basis of original actual interest rate is lower than its nominal value, the nominal value of that receivable shall be written down to the current value, the written down amount shall be recognized as asset impairment loss and credited to current loss.

When assessing impairment loss of receivable with combined approach, the impairment loss amount shall be adjusted and confirmed based on the past loss of receivable with similar credit risk characteristics (including receivables which involves no impairment yet assessed with individual approach) and according to the observable information which reflect the current economic conditions.

Assess impairment loss of financial assets available for sale with individual approach and combined approach.

When financial assets available for sale incur impairment, the accumulated loss due to a fall in fair value previously credited to owners' interests shall be transferred out and credited to current loss even if such financial assets have not been derecognized.

For impairment of other assets, signs of impairment shall be determined based on internal and external information. Impairment tests shall be done to assets with signs of impairment and estimate the coverable amount of the assets.

- ⑤ Measurement of inventories: The inventories shall be initially measured at their cost. Inventory costs include purchase costs, processing costs and other costs incurred in bringing the inventories to their present location and condition. The actual cost of inventories shall be determined by employing the weighted average cost method. Besides the costs of purchasing raw materials, the work-in-progress and finished products also include the direct labor and production costs allocated on appropriate proportion.

Inventories shall be measured based on the costs or realizable net value, whichever is lower, on balance sheet date.

If the cost calculated for single inventory item is higher than the difference of its net realizable value, provision shall be made for loss on decline in value of inventories. Net realizable value refers, in the ordinary course of business, to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

- ⑥ Fixed assets and depreciation: Fixed assets refer to tangible assets possessed by the Group for purposes of production of products or management of operation with life cycle longer than one accounting year.

Depreciation periods and annual depreciation rates of all kinds of fixed assets are shown as follows:

Item	Service life	Residual value rate (%)	Annual depreciation rate (%)
Plant and building	6-30	5	3.00-16.00
Machinery and equipment	5-30	5	3.00-19.00
Office and electronic equipment	4-5	5	12.00-19.00
Means of transport	5-8	5	19.00-24.00

- ⑦ Intangible assets

For intangible assets with limited service life, net residual value and accumulated impairment provisions shall be deducted from the costs of the intangible assets and then amortized over the estimated service life with the straight line method with the exception of those intangible assets which satisfy the hold-for-sale conditions. The amortization period of all intangible assets include:

Item	Amortization period (years)
Software	5
Land use right	33-50

⑧ Principle for recognition of revenue:

Revenue is total inflow of economic benefits generated in the ordinary course of business which increases owners' interests but are irrelevant with the capital invested. Revenue shall be recognized when its amount and relevant costs can be reliably measured, the related economic benefits will probably flow into the company and satisfy other requirements for recognition of different types of revenue.

A. Revenue from product sale

Revenue from product sale shall be recognized when it satisfies both the said general conditions for revenue and the following conditions:

- a. All risks and returns from products ownership have been transferred to the products purchaser;
- b. When the right of continual management usually connected with ownership is not reserved and no effective control is exercised over the sold products;

Revenue amount of the product sale has been confirmed according to the received or receivable fair value of the contract or agreement price amount.

B. Interest revenue

Interest revenue is calculated and determined based on the time and actual interest rate of the lent monetary funds.

## ⑨ Tax and preferential tax policies:

Tax type	Criteria for calculation of payable amount
Business tax	The payable business tax rate prior to 1 May 2016 was 5%. According to Cai Shui [2016] No. 36 jointly promulgated by the Ministry of Finance and State Administration of Taxation, all business taxpayers within the nation shall be included in the scope of pilot shift from business tax to value added tax, they shall pay value added tax instead of business tax from 1 May 2016.
Value added tax	Pursuant to the tax rules, 17% of the income from product sale shall be the sale tax. The difference obtained by deducting the currently permitted deductible input tax shall be the payable value added tax.
Urban maintenance and construction tax	7% of the actually paid value added tax and business tax
Education surtax	3% of the actually paid value added tax and business tax
Local education surtax	2% of the actually paid value added tax and business tax
Business profits tax	The statutory rate is 25%, and the preferential tax rate for the year is 15% (2015: 15%)

According to the Business Profits Tax Law of the People's Republic of China, recognized hi-tech companies shall pay business profits tax at the reduced rate of 15%. Wason Copper-Foil was issued the Certificate of Hi-Tech Company numbered GR201541000100 on 3 August 2015, and shall enjoy the preferential tax rate of 15% during the three-year period of validity of the Certificate.

The subsidiary of Wason Copper-Foil, Lingbao Hongyu Electronics Co., Ltd., also enjoys the preferential tax rate of 15% as it was issued the Certificate of Hi-Tech Company numbered GR20154100038 on 16 November 2015.

5) *Relationship between the principal and valuated entity*

The principal Beijing Zhongxin Zehui Investment Company Limited is the intended acquirer, the principal Lingbao Gold Group Company Ltd is the shareholder of Wason Copper-Foil.

3. **Other valuation report users agreed in the business agreement**

Besides providing for use of the principal, this report is also used by other users who are entities (or individuals) closely connected with the corresponding economic acts for fulfillment of the valuation objectives specified in this valuation report, who are virtually the valuation report users specified by the valuated entity and national laws and regulations.

II. **OBJECTIVE OF VALUATION**

The objective of this valuation is to satisfy the need of valuating the market value of all shareholder equity interest of Wason Copper-Foil as at 31 December 2016, of which Beijing Zhongxin Zehui Investment Company Limited intends to acquire 60% equity interest in Wason Copper-Foil held by Lingbao Gold Group Company Ltd. This valuation is to provide reference basis regarding all shareholder equity interests of Wason Copper-Foil on the base date in connection of the said economic act.

III. **TARGET AND SCOPE OF VALUATION**

(A) **Target of valuation**

The subject matter of this valuation is all shareholder equity interest of Wason Copper-Foil.

(B) **Scope of valuation**

The scope of this valuation includes all the audited assets and related liabilities of Wason Copper-Foil on the valuation base date. Specifically, they include current assets, fixed assets, works in progress, intangible assets, long-term receivable, financial assets available for sale, long-term equity investments, other assets, current liabilities and non-current liabilities.

Item		Book value
Current assets	1	94,433.77
Non-Current assets	2	85,540.36
Including: Financial assets available for sale	3	3,000.00
Long-term receivable	5	12,503.60
Long-term equity investments	6	3,000.00
Fixed assets	8	62,392.50
Constructions in progress	9	1,235.97
Intangible assets	14	2,052.48
Deferred profits tax assets	18	1,147.32
Other non-current assets	19	208.49
<b>Total assets</b>	20	179,974.13
Current liabilities	21	97,422.09
Non-current liabilities	22	35,500.00
<b>Total liabilities</b>	23	132,922.09
<b>Net assets (Owners' interest)</b>	24	47,052.04

The entrusted valuation subject matter and scope of valuation are identical with the entrusted valuation subject matter and scope of valuation involved in the said economic acts. The financial status and operating results for the year 2016 and on the base date reported by the valuated entity of this valuation have been audited by the Shanghai branch of KPMG Huazhen (Special General Partnership), which has issued Audit Report referenced KPMG Huazhen Hu Shen Zi No. 1702084.

**1. Legal ownership status, financial status and physical status of single assets of asset portfolio which have material impact on the company's value**

**(1) Major current assets**

Inter alia, monetary capital in the amount of RMB311,885,400, receivable notes in the amount of RMB117,561,800, receivable in the amount of RMB324,679,300, payable in the amount of RMB13,500,200, other receivable in the amount of 12,281,500 and inventories in the amount of RMB164,429,500.

(2) Book value of financial assets available for sale is RMB30,000,000 which is the investment fund of equity participating company Lingbao Baosin Electronic Technology Co., Ltd.

(3) Book value of long-term receivable is RMB125,036,000 which is the transaction amounts receivable from Lingbao Hongyu Electronics Co., Ltd.

**(4) Major fixed assets**

Fixed assets include premises, structures and buildings, machinery and equipment, electronic equipment and vehicles, their original nominal value is RMB939,849,700 and their book value is RMB623,925,000.



Applications for ownership permits have not been made for 26 of the buildings, other buildings have got housing property permits with clear and definite ownership. In this connection, Wason Copper-Foil has issued a letter of undertaking to state its actual ownership and control of the said housing. Details are shown in the table below:

Serial	Name of building	Building area (m <sup>2</sup> )	Structure	Date of completion
1	Staff canteen	479.00	Brick and wood	December 2007
2	Boiler room	519.00	Mixed	December 2007
3	No. 2 air-conditioning plant	107.25	Mixed	December 2007
4	Power distribution room	18.00	Brick and mixed	December 2007
5	Shaft room	20.00	Brick and mixed	December 2007
6	Generator room	18.00	Brick and mixed	December 2007
7	Fire control room	54.00	Brick and mixed	December 2007
8	Boiler room	59.40	Mixed	December 2007
9	Main plant of R&D Center	3,200.00	Mixed	June 2008
10	6 set of houses	648.00	Brick and mixed	November 2010
11	Canteen vegetable room	20.00	Brick and mixed	December 2010
12	Toilet to the south of staff dormitory	32.42	Brick and mixed	December 2010
13	Guard room on the west side of R&D Center	15.42	Steel	December 2010
14	New office building	7,793.25	Mixed	September 2012
15	Toilet	15.00	Steel	June 2013
16	Guard room	39.28	Brick and mixed	June 2013
17	Guard room	20.27	Brick and mixed	June 2013
18	Phase 1 warehouse	721.53	Steel	June 2013
19	Coal room	19.64	Brick and mixed	June 2013
20	Male bathroom	304.00	Brick and mixed	June 2013
21	Packaging workshop	1,992.00	Steel	June 2013
22	Steel structure room	78.44	Steel	June 2013
24	No. 1 Public rental housing	3,734.97	Mixed	December 2013
25	Phase 2 coated steel room of filter press in water treatment station	30.00	Steel	May 2014
26	Handy finished parts warehouse	360.00	Steel	December 2015

The premises, structures and buildings entrusted for valuation mainly include workshops, warehouses, office buildings, dormitories, canteen, power distribution room, water treatment station and structures such as enclosing walls, roads, pools, pipeline network and shafts. The buildings were completed in the period between 2007 and 2015. Some of the buildings have signs of demolition and being left idle, most of them are in relatively good maintenance and normal use.

The equipment entrusted for valuation mainly include ancillary supporting equipment and facilities including electrolytic foil collecting machines, copper dissolution and solution producing system, splitters, copper-foil surface processors, chemical pumps and power source systems. The main production equipment was purchased in the period between 2007 and 2016. The equipment entrusted for valuation are mainly installed and kept in the plant area. As at the asset inspection date, some equipment showed signs of obsolescence. The remaining equipment was in relatively good maintenance and normal use.

- (5) Book value of constructions in progress is RMB12,359,700, which is the alteration costs.
- (6) Book value of intangible assets, which include land use right and financial software, is RMB20,524,800.
- (7) Book value of deferred profits tax assets, which are deferred profits tax assets formed by bad debt provision, RMB11,473,200.
- (8) Book value of other non-current assets, which is advance payment for purchase of equipment, is RMB101,000.
- (9) *Major current liabilities*
  - ① Short-term loans: Book value is RMB135,637,400, they are mainly bank loans, etc.
  - ② Payable notes: Book value is RMB80,000,000, they are mainly payable goods prices, etc.
  - ③ Payable: Book value is RMB366,768,200, they are mainly payable for goods, etc.
  - ④ Advanced payment received: Book value is RMB58,907,200, they are mainly advanced payment for goods received, etc.
  - ⑤ Payable employee salaries: Book value is RMB9,406,800, they are mainly payable wages, etc.
  - ⑥ Payable tax: Book value is RMB27,916,300. They are mainly payable value added tax, corporate profits tax, urban maintenance and construction tax, education surtax, local education surtax, housing property tax, land use tax and stamp duty, etc.
  - ⑦ Payable interests: Book value is RMB11,140,400, they are mainly payable bank interest and financial leasing interests.
  - ⑧ Other payable: Book value is RMB254,444,600, they are mainly payable deposits and construction costs.

- ⑨ Current liabilities due within one year: Book value is RMB30,000,000, they are mainly amounts payable to Ding Tai Financial Leasing Co., Ltd.

(10) *Major non-current liabilities*

- ① Long-term loans: Book value is RMB355,000,000, they are mainly payable financing leases.

(11) *Off-balance-sheet intangible assets*

The off-balance-sheet intangible assets reported in this valuation are patent rights and trademark rights. Details of the patent rights are listed in the table below:

Serial	Name	Letters patent number	Date of grant	Patent type
1	Foil material collecting device	200820220569.9	2009/7/22	Utility model
2	After-treatment conductor roll	200820220435.7	2009/7/22	Utility model
3	Main driver device of copper-foil post treatment equipment	200820220525.6	2009/7/22	Utility model
4	Conductor device of foil material collecting machine	200820220436.1	2009/7/29	Utility model
5	Foil material collecting and washing water nozzle	200820220524.1	2009/7/29	Utility model
6	New screening program	200820220526.0	2009/8/12	Utility model
7	Anode plate for foil material collecting machine	200820220434.2	2009/8/19	Utility model
8	After-treatment device	200820220570.1	2009/9/9	Utility model
9	After-treatment device	200920090260.7	2010/3/31	Utility model
10	Copper-foil washing system	200920090203.9	2010/3/31	Utility model
11	Tension control device of splitter	200920090201.X	2010/3/31	Utility model
12	Solution squeeze roll	200920090230.6	2010/3/31	Utility model
13	A kind of power source for foil production	200920090255.6	2010/3/31	Utility model
14	Boiler de-dusting equipment	200920090231.0	2010/3/31	Utility model
15	Electrolytic copper-foil alarm	201020276769.3	2011/2/9	Utility model
16	After-treatment washing tank	201020276775.9	2011/2/9	Utility model
17	Anode plate power supply device for electrolytic copper-foil surface processing system	201020154255.0	2011/2/9	Utility model

Serial	Name	Letters patent number	Date of grant	Patent type
18	Silicone solution recall device of copper-foil after-treatment system	201020171674.5	2011/3/16	Utility model
19	Electrolytic copper-foil air supply system	201020276772.5	2011/3/30	Utility model
20	After-treatment copper-foil delivering mechanism	201020284818.8	2011/3/30	Utility model
21	Electrolytic copper-foil after-treatment machine	201020278581.2	2011/4/6	Utility model
22	Electrolytic copper-foil raw material collecting machine with dehumidifying and anti-oxidation devices	201020521974.1	2011/4/6	Utility model
23	Washing tank device of copper-foil surface processing system	201020549834.5	2011/4/13	Utility model
24	Solution tank device of copper-foil surface processing system	201020549848.7	2011/4/13	Utility model
25	New anode roll foil material collecting machine	201020545641.2	2011/4/20	Utility model
26	Solution feeding system of foil material collecting machine	201020519856.7	2011/4/27	Utility model
27	Joint water supply pump station units	201020599685.3	2011/5/18	Utility model
28	Washing device	201020601211.8	2011/5/25	Utility model
29	Washing tank of copper-foil surface treatment machine	201020600192.7	2011/6/1	Utility model
30	Suspended platform for working at height	201020606666.9	2011/6/1	Utility model
31	Cooling units for recall of steam and condensation	201020606172.0	2011/6/1	Utility model
32	PVA cathode roll burnisher	201020602503.3	2011/6/15	Utility model
33	Foil material collecting ejection spraying pipe	201020606209.X	2011/6/15	Utility model
34	After-treatment winding device	201120132495.5	2011/11/23	Utility model
35	Water holding device for foil material collecting machine	201120132493.6	2011/12/28	Utility model
36	Electrolytic copper-foil device	201120161067.5	2011/12/28	Utility model
37	Device for removing silicone spots from copper-foil edge	201120132515.9	2012/1/18	Utility model
38	Pure water production device	201120227883.1	2012/1/18	Utility model

Serial	Name	Letters patent number	Date of grant	Patent type
39	New exhaust structure for air compressor	201120215860.9	2012/1/18	Utility model
40	After-treatment foil washing system	201120218737.2	2012/2/1	Utility model
41	Rasping copper-adding crate	201120216048.8	2012/2/1	Utility model
42	A kind of roll for conductor roll	201120231996.9	2012/2/22	Utility model
43	Electrolysis tank	201120231179.3	2012/2/22	Utility model
44	Titanium screw for fixing position of end plate in copper-foil production	201120247796.2	2012/2/22	Utility model
45	Meter for measuring current density of large current and direct current	201120276208.8	2012/3/7	Utility model
46	Cooled water recall system of air compressor	201120231178.9	2012/3/7	Utility model
47	Anode plate for foil material collecting machine	201120307852.7	2012/4/18	Utility model
48	Anti-oxidation and drying device of after-treatment machine	201120312108.6	2012/4/18	Utility model
49	Anti-oxidation tank of foil material collecting machine	201120307853.1	2012/4/18	Utility model
50	On-line gauge for copper-foil surface for application to Japan-made copper-foil surface treatment machines	201120307854.6	2012/4/18	Utility model
51	Automatic level monitoring system for production of copper-foil	201120276211.X	2012/4/18	Utility model
52	Copper-foil electrolysis tank	201120327680.X	2012/5/9	Utility model
53	Washing tank device of copper-foil surface processor	201120327679.7	2012/5/23	Utility model
54	Additive device for copper-foil after-treatment system	201120323882.7	2012/5/23	Utility model
55	Controllable silicone rectifying transformer which shows information of direct current of input end	201220006480.9	2012/9/12	Utility model
56	Removable splitter blade	201220006488.5	2012/9/12	Utility model

Serial	Name	Letters patent number	Date of grant	Patent type
57	Protective shield of after-treatment machine	201220006495.5	2012/9/12	Utility model
58	Suspended copper hook for production of electrolytic copper-foil	201220237668.4	2012/12/19	Utility model
59	Gas oven for after-treatment of copper-foil	201220237666.5	2012/12/19	Utility model
60	Automatic pure water control device for treatment for water from production of copper-foil	201220245552.5	2012/12/19	Utility model
61	Air blower control system for cooling tower	201220245561.4	2012/12/19	Utility model
62	Anti-corrosion liner pipe with heat and electricity insulating functions and thermometer	201220237670.1	2012/12/19	Utility model
63	Solution base and roller side sealed structure	201220237664.6	2012/12/19	Utility model
64	Gas oven for after-treatment of copper-foil	201220245562.9	2012/12/19	Utility model
65	Daily heating system for daily use in a plant	201220245494.6	2012/12/19	Utility model
66	Copper-foil after-treatment processing system	201220274600.3	2012/12/19	Utility model
67	A system of hot water conversion and residual heat use for oil-producing plate	201220242653.7	2012/12/19	Utility model
68	Second anode plate on feeding tank side of foil material collecting machine	201220242664.5	2012/12/19	Utility model
69	Mist-proof foil material collecting machine	201220242671.5	2012/12/19	Utility model
70	After-treatment processing system for copper-foil production	201220237682.4	2012/12/19	Utility model
71	Cooling system for electrolytic copper-foil production workshop	201220237681.X	2012/12/19	Utility model
72	Mixed bed purifying system	201220245532.8	2013/1/2	Utility model
73	Water-saving system for water station of copper-foil production	201220245588.3	2013/1/2	Utility model

Serial	Name	Letters patent number	Date of grant	Patent type
74	A kind of foil material collecting machine	201220276402.0	2013/1/2	Utility model
75	Liquid tank for copper-foil after-treatment machine	201220274590.3	2013/1/2	Utility model
76	Copper raw water treatment system	201220251566.8	2013/1/2	Utility model
77	Device for clearing copper powder from electrolytic copper-foil	201220237663.1	2013/2/20	Utility model
78	Copper-foil post treatment conductor roll	201220245587.9	2013/2/20	Utility model
79	Device for adding active charcoal for copper-foil production	201320054807.4	2013/8/7	Utility model
80	Exhaust pipe for foil material collecting machine	201320398938.4	2013/12/25	Utility model
81	Exhaust device for copper-foil production workshop	201320398872.9	2013/12/25	Utility model
82	Multi-directional washing water monitoring system	201320460287.7	2013/12/25	Utility model
83	Magnetic brake bearing installation structure for splitters	201320462223.0	2014/1/8	Utility model
84	Hand wheel for solution squeeze roll of copper-foil after-treatment equipment	201320462783.6	2014/1/8	Utility model
85	After-treatment anode plate positioning device	201320462748.4	2014/1/8	Utility model
86	Local/Remote two tier alarm system for malfunctioning frequency transformer of solution supply system	201320460357.9	2014/1/8	Utility model
87	Splitter for processing copper-foil	201320464690.7	2014/1/8	Utility model
88	Splitter device for processing copper-foil	201320464721.9	2014/1/8	Utility model
89	Splitter device for processing copper-foil	201320464824.5	2014/1/8	Utility model
90	Splitter for processing copper-foil	201320464723.8	2014/1/8	Utility model
91	Compressing device for conductor roll of splitter	201320462620.8	2014/3/19	Utility model
92	Pre-heating box for slowing bending of copper-foil	201320599936.1	2014/3/19	Utility model

Serial	Name	Letters patent number	Date of grant	Patent type
93	Anode plate for copper-foil after-treatment	201320462878.8	2014/4/23	Utility model
94	Thickened and reinforced anode plate	201320462760.5	2014/4/23	Utility model
95	Level alarm for application to copper-foil surface treatment pool	201320761844.9	2014/5/7	Utility model
96	Conductor roll cooling device for stage 2 after-treatment	201320769056.4	2014/5/7	Utility model
97	Copper-foil edge material winding system	201320831560.2	2014/5/28	Utility model
98	Anti-corrosion base panel system for connecting titanium coated cooper bar and anode panel	201420075335.5	2014/7/30	Utility model
99	Precise filter	201420091880.3	2014/7/30	Utility model
100	Medicine dispensing system for cooper-foil surface treatment	201420135497.3	2014/8/6	Utility model
101	Polishing brush for online polishing of cathode roll	201420091876.7	2014/8/20	Utility model
102	Solution supply system for roughening copper-foil surface	201420168778.9	2014/8/20	Utility model
103	Heating system making use of residual heat from copper-foil production	201420135496.9	2014/8/20	Utility model
104	Tool for checking cleanliness of solution	201420186922.1	2014/12/3	Utility model
105	Anti-oxidation solution replenishing system for copper-foil of lithium battery	201420169031.5	2014/12/17	Utility model
106	Copper-foil winding device	201420168467.2	2015/1/14	Utility model
107	Plastic and copper solution tank device	201420665714X	2015/3/25	Utility model
108	Method to remove matte red road flaw in copper foil surface treatment	201310048837.9	2015/11/8	Invention
109	Improved model of foil material collecting machine	201210013225.1	2015/5/27	Invention



Serial	Name	Letters patent number	Date of grant	Patent type
110	Semi-product copper-foil processing system for application to foil material collecting machines	201520026788.3	2015/7/1	Utility model
111	Surface treatment method for use in electrolytic copper-foil production	ZL201310059832.6	2015/4/30	Invention
112	Copper-foil production technique for copper foil with additives and 7 $\mu$ m double light lithium ion batteries	201310059888.1	2015/6/15	Invention
113	Improved copper melting system	201520199237.X	2015/7/29	Utility model
114	Remote control system for single-beam double trolley crane	201520278505.4	2015/8/19	Utility model
115	Rolling wheel devices for edge cutting and trimming of splitters	201520538237.5	2015/11/18	Utility model
116	System for use of residual heat of copper melting pot	201520482070.5	2015/11/18	Utility model
117	Shearing roll for increasing efficiency of copper-foil shearers	201520538318.5	2015/11/18	Utility model
118	System for adding additives used for copper-foil production	201520495830.6	2015/12/9	Utility model
119	Copper bar connecting structure of foil material collecting machines	201520537781.8	2015/12/9	Utility model
120	Air shaft transmission mechanism	201520538476.0	2015/12/2	Utility model
121	Compression device for copper-foil winding of splitters	201520538342.9	2015/12/2	Utility model
122	Air blower control system for cooling tower	201520541547.2	2015/12/2	Utility model
123	Water compression roll device with pressure regulating function for foil material collecting machines	201520585819.9	2015/12/9	Utility model

Serial	Name	Letters patent number	Date of grant	Patent type
124	Solution purifying device for copper melting pot	201520590617.3	2015/12/2	Utility model
125	Solution feeding device for copper-foil production after-treatment machines	201520595774.3	2015/12/2	Utility model
126	Electrolytic copper-foil pickling tank support	201520619733.3	2015/12/2	Utility model
127	Supporting device for driver side of drum roll	201520619548.4	2015/12/2	Utility model
128	A device for width control of cooper-foil products	201520604339.2	2015/12/16	Utility model
129	Transmission device for drum roll of splitter	201520625755.0	2015/12/16	Utility model
130	New type of air-conditioning unit heating equipment	201520639773.4	2015/12/23	Utility model
131	New type of PVA burnisher bearing frame	201520639859.7	2015/12/23	Utility model
132	New type of feed line with Inhibitor for water treatment station	201520640625.4	2015/12/23	Utility model
133	Shield for electrolytic copper-foil raw material collecting machine	201520639695.8	2015/12/23	Utility model
134	New type of uncoiling machine base for splitters	201520638903.2	2015/12/23	Utility model
135	Blow filter device of for after-treatment of electrolytic copper-foil	201520638905.1	2015/12/23	Utility model
136	A new type of splitter blade	201520640794.8	2015/12/23	Utility model
137	Method to recall waste water from copper-foil production for reuse	201310048836.4	2016/1/6	Invention
138	Anode conductor device for raw foil collecting machines	201520658493.8	2016/1/6	Utility model
139	Conductor copper bar device for raw foil collecting machines	201520658203.X	2016/1/6	Utility model
140	Device for adjusting compression solution balance for copper-foil after-treatment machines	201520617324.X	2016/1/6	Utility model
141	Burnisher with ejection spraying pipe	201520653118.4	2016/1/20	Utility model

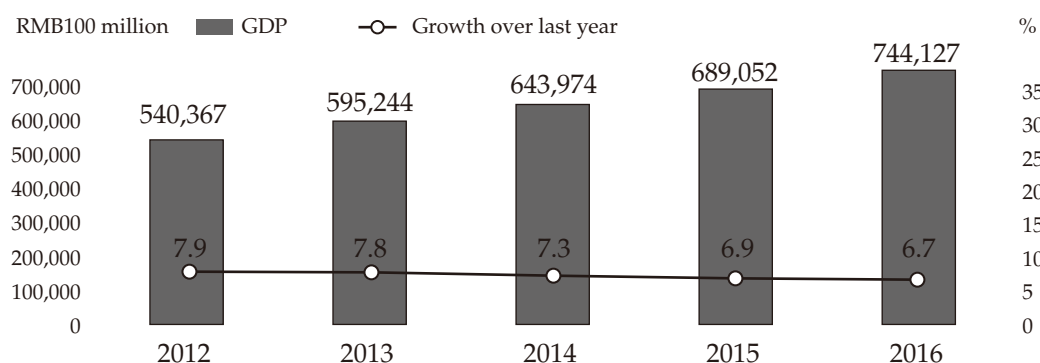
Serial	Name	Letters patent number	Date of grant	Patent type
142	System for use of residual heat of copper melting pot	201520799072.7	2016/2/10	Utility model
143	Flake-shaped copper-foil cut knife device	ZL201520640974.6	2016/1/27	Utility model
144	Handy device for checking stripping-resisting performance of electrolytic copper foil	ZL201520848253.4	2016/3/2	Utility model
145	Dust-proof device for copper-foil after-treatment machines	ZL201520871106.9	2016/4/23	Utility model
146	Plating bath device for electrolytic copper-foil	ZL201521058621.1	2016/5/11	Utility model
147	Cathode roll spraying device for foil collecting machines	ZL201620957581.2	2017/2/22	Utility model
148	Static electricity dust-proof device for use in running machines of copper-foil workshop	ZL201620964985.7	2017/2/22	Utility model
149	Device for winding the cut ear after splitting copper-foil	20162095160.X	2017/3/15	Utility model
150	Ablation-proof cathode roll for electrolytic copper-foil	201621189627.7	2017/4/26	Utility model
151	New type of electrolytic device for electrolytic copper-foil	201621191767.8	2017/4/26	Utility model
152	Electrolysis tank for electrolytic copper-foil	201621273468.9		Utility model
166	A kind of additive and the technique to produce 6 $\mu$ m high-resistance electrolytic copper-foil with that additive	201510238827.0	Being reviewed	Invention
167	Method to treat black surface of electrolytic copper-foil	201510450639.4	Pending for scrutiny and submission	Utility model
168	A technique of cathode roll PVA burnishing	201510485117.8	Pending for scrutiny and submission	Utility model

Serial	Name	Letters patent number	Date of grant	Patent type
169	A surface treatment technique for enhancing anti-stripping of electrolytic copper foil under high-temperature	201510485060.1	Pending for scrutiny and submission	Utility model
170	A surface treatment technique for enhancing anti-corrosion performance of copper foil	201510487702.1	Pending for scrutiny and submission	Utility model
171	A kind of additive and the technique to produce electrolytic copper-foil of 6 $\mu$ m curvature with that additive	201510447089.0	Pending for scrutiny and submission	Utility model
172	Method to improve anti-splitting value between copper-foil and base materials	201510537805.4	Pending for scrutiny and submission	Utility model
173	Production technique of electrolytic copper-foil of low curvature	201510148125.3	Re-revision upon passing in first review	Utility model
174	A technique to improve anti-splitting strength of electrolytic copper-foil	201510411602.0	Pending for scrutiny and submission	Utility model
175	A device and technique to reduce lead ion concentration in electrolytic solution of electrolytic copper-foil	201510408840.6	Pending for scrutiny and submission	Utility model
176	An additive for use of electrolytic copper-foil and production technique of double light batteries	201610750366.X		Utility model

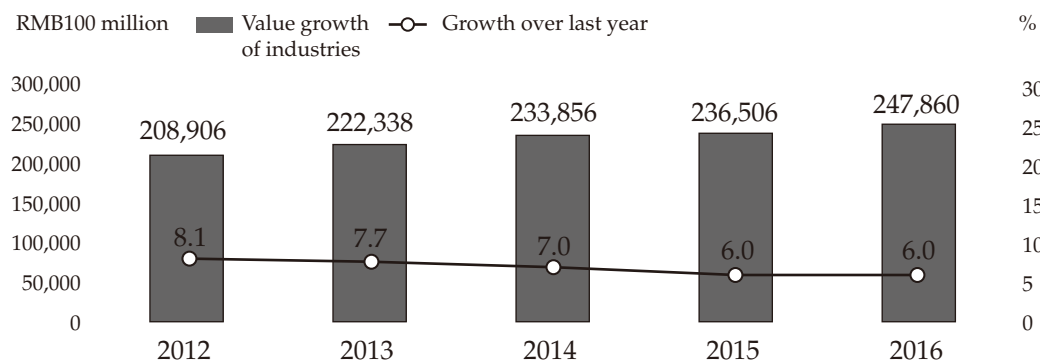
There are two registered trademarks, the certification numbers are 3334742 and 3334744.

## 2. Macroeconomic factors which affect the valuated entity

The national economy grew steadily in 2016. Preliminary estimation reveals that the GDP was RMB74412.7 billion, representing 6.7% growth over the previous year. Of it, the primary sector grew by RMB6367.1 billion in value, representing 3.3% growth; the secondary sector grew by RMB29623.6 billion in value, representing 6.1% growth; the tertiary sector grew by RMB38422.1 billion in value, representing 7.8% growth. The growth values of the primary, secondary and tertiary sectors represented 8.6%, 39.8% and 51.6% in the GDP respectively, representing growth of 1.4 percentage point over the previous year. GDP per capita for the year was RMB53980, representing 6.1% growth over the previous year. Gross national income was RMB74235.2 billion, representing 6.9% growth over the previous year.



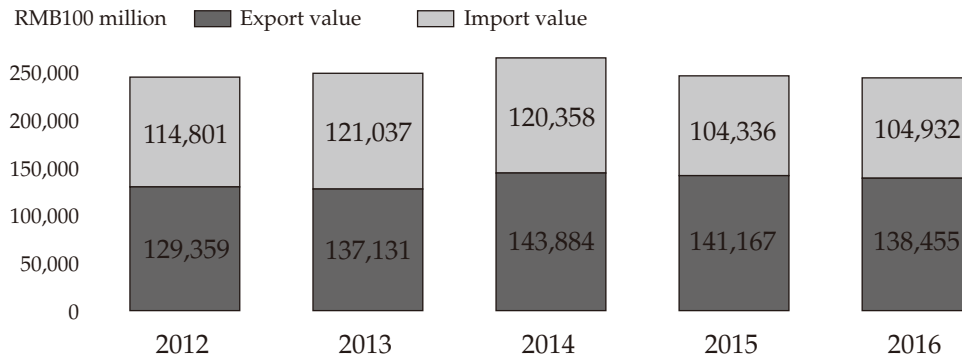
In 2016, growth values of all industries was RMB24786 billion, representing 6.0% growth over the previous year. Value growth of industries above designated size has increased by 6.0%. Of the industries above designated size, state-owned holding companies grew by 2.0% by economy type; collective enterprises fell by 1.3%, shareholding companies grew by 6.9%; foreign- and Hong Kong-/Macao-/Taiwan-invested companies grew by 4.5%; private companies grew by 7.5%. By categories, mining sector fell by 1.0%, manufacturing sector grew by 6.8%, electricity, heat, gas and water producer and suppliers grew by 5.5%.



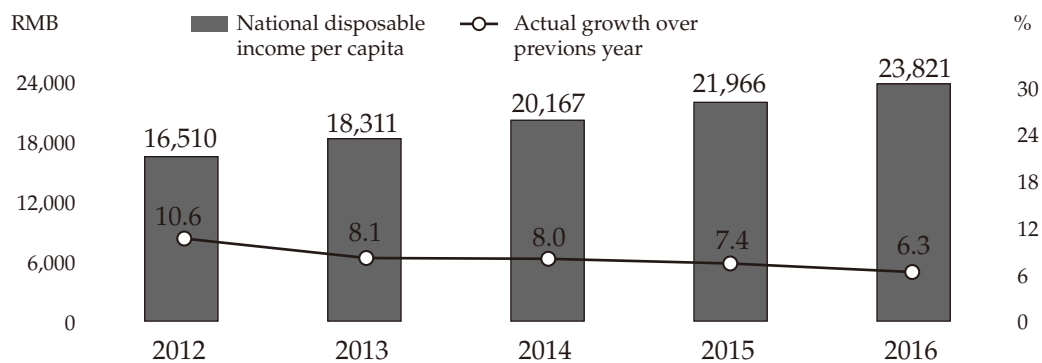
Of the industries above designated size in 2016, value of agricultural non-staple food processing industry grew by 6.1%, textile industry grew by 5.5%, chemical raw materials and chemical products manufacturing industry grew by 7.7%, non-metal mineral product industry grew by 6.5%, smelting and manufacturing system of the black metal fell by 1.7%, general equipment manufacturing industry grew by 5.9%, special equipment manufacturing industry grew by 6.7%, automotive manufacturing industry grew by 15.5%, electrical mechanical and equipment manufacturing industry grew by 8.5%, computer, communication and other electrical equipment manufacturing industry grew by 10.0%, electricity, heat, thermal production and supply industries grew by 4.8%. Industrially strategic emerging industries grew by 10.5% in value. Hi-tech manufacturing industry grew by 10.8% in value, representing 12.4% in value growth of industries above designated size. Value growth of equipment manufacturing industry was 9.5%, representing 32.9% in value growth of industries above designated size. The value of top six high energy consuming industries grew by 5.2%, representing 28.1% in value growth of industries above designated size.

In 2016, companies which engaged in industries above designated size realized profits of RMB6880.3 billion, representing 8.5% growth over the previous year. By economy type, state-owned holding companies realized profits of RMB1175.1 billion, representing growth of 6.7% over the previous year; collective companies earned RMB47.7 billion, representing a fall of 4.2%, shareholding companies earned RMB4719.7 billion, representing growth of 8.3%, foreign- and Hong Kong-/Macao-/Taiwan-invested companies earned RMB1,735.2 billion, representing growth of 12.1%, private companies earned RMB2,432.5 billion, representing growth of 4.8%. By categories, mining industry realized profits of RMB182.5 billion, representing a fall of 27.5% over the previous year, manufacturing industry earned RMB6239.8 billion, representing growth of 12.3%, electricity, heat, thermal production and supply industries earned RMB458 billion, representing a fall of 14.3%. In 2016, companies which engaged in industries above designated size borne the cost of RMB85.52 for every RMB100 operating income earned, which fell by RMB0.1 over the previous year. Debt rate of companies which engaged in industries above designated size was 55.8%, representing a fall of 0.4 percentage point over the end of the previous year.

In 2016, total value of imported and exported goods was RMB24338.6 billion, representing a fall of 0.9% over the previous year. Exported goods value was RMB13845.5 billion, representing a fall of 1.9%; imported goods value was RMB10493.2 billion, representing an increase of 0.6%. Difference between imported and exported goods (export minus import) was RMB3352.3 billion, representing a fall of RMB330.8 billion over the previous year. Export value to countries along the "Belt and Road" was RMB6,251.7 billion, representing an increase of 0.5%. Of it, export value was RMB3,831.9 billion, representing an increase of 0.5%, import value was RMB2,419.8 billion, representing an increase of 0.4%.



In 2016, disposable national income per capita was RMB23,821, representing growth of 8.4% over the previous year, actual growth was 6.3% after deducting price factor; the median disposable national income per capita was RMB20,883, representing growth of 8.3%. By permanent residence, urban disposable income per capita was RMB33,616, representing growth of 7.8% over the previous year, actual growth was 5.6% after deducting price factor; median urban disposable national income per capita was RMB31,554, representing growth of 8.3%. Rural disposable income per capita was RMB12,363, representing growth of 8.2% over the previous year, actual growth was 6.2% after deducting price factor; median rural disposable national income per capita was RMB11,149, representing growth of 8.3%. Grouping based on national income quintile reveals that disposable income per capita of the low-income group was RMB5,529, disposable income per capita of the lower-medium income group was RMB12,899, disposable income per capita of the medium income group was RMB20,924, disposable income per capita of the high-medium income group was RMB31,990, disposable income per capita of the high income group was RMB59,259. In poor regions 45 disposable income per capita of villagers was RMB8,452, representing growth of 10.4% over the previous year, actual growth was 8.4% after deducting price factor. Average monthly income of all migrant workers in China was RMB3,275, representing growth of 6.6% over the previous year.



(Source: National Bureau of Statistics)

### 3. Industry status and development prospect of the valuated entity

#### 1) *Basic industry status*

The industry which the Company engages in belongs to “CC32 Smelting and Pressing of Non-ferrous Metals” according to industry categorization specified by the Guidance on Industry Categorization of Listed Companies (amended in 2012) published by the China Securities Regulatory Commission. It belongs to “C3261 Copper Pressing and Processing” of the “C32 Smelting and Pressing of Non-ferrous Metals” according to National Economy Industry Categorization (GB/T4754-2011) published by the China Securities Regulatory Commission. The Company mainly engages in research and development, manufacture, sale and services of copper-foil, lithium battery and of related new materials and equipment. Copper-foil is classified as pressed copper-foil and electrolytic copper-foil based on the production techniques. Currently, electrolytic copper-foil is the Company’s main products.

Copper-foil is the irreplaceable basic material for modern electronic industry, it can be classified as pressed copper-foil and electrolytic copper-foil based on the production techniques. The production of pressed copper-foil involves complicated techniques, long process, high one-off input and high cost. Besides, the maximum thickness of copper-foil is limited by rolls. But, the advantage of copper-foil produced with pressed method is generally better in performance. Electrolytic copper-foil involves complicated techniques but the cost is lower than pressed copper-foil and product thickness is more manageable. Currently, electrolytic copper-foil is the main trend of global copper-foil development supplemented with pressed copper-foil.

Electrolytic copper-foil can be classified as lithium electrolytic copper-foil (6-20 micrometers), standard copper-foil (12-70 micrometers) and super-thick copper-foil (105-420 micrometers). Of them: lithium electrolytic copper-foil is mainly used in lithium ion batteries. Copper-foil serves as electrode carrier and electrode collector in lithium batteries. It is an important material of lithium batteries. Standard copper-foil and super-thick copper-foil have been applied to printed circuit board (PCB) of different power according to their own thickness and technologies. In a PCB, copper-foil is used as the conducting wire between electronic parts.



Classification	Usage
lithium electrolytic copper-foil (6–20 micrometers)	Mainly used in lithium ion batteries; serves as electrode carrier and electrode collector in lithium batteries
standard copper-foil (12–70 micrometers)	Applied to printed circuit board (PCB) of different power according to their own thickness and technologies; used as the conducting wire between electronic parts
super-thick copper-foil (105–420 micrometers)	Applied to printed circuit board (PCB) of different power according to their own thickness and technologies; used as the conducting wire between electronic parts

## 2) *Market conditions of lithium electrolytic copper-foil*

Currently, the global downstream lithium battery market is dominated by China, Japan and South Korea with production scale expanding rapidly. China is the fastest growing producer, followed by South Korea. China first replaced Japan as the world's largest producer. According to statistics of CBEA, total global production of lithium ion batteries was 100.75Gwh in 2015, representing growth of 39.45% y/y. Benefitting from new energy automotive industry, power batteries have gained an important share of 28.26% in lithium batteries in 2015. In 2015, total production of lithium ion batteries in China was 47.13Gwh - significant growth of 54.78% y/y, representing 46.78% of total global production of lithium ion batteries, of which the proportion of power batteries increased to 36.07%.

As the application of lithium ion power batteries extends, electrolytic copper-foil also faces broader market outlook as the main raw material for production of lithium ion batteries. Currently, new energy vehicles are rapidly developing. Based on the assumption that their sale is expected to reach 3 million globally by 2020, the demand for lithium ion power batteries will doubtlessly grow from 20,000 tonnes in 2015 to 100,000 tonnes in 2020. In 2014, the demand for lithium ion power batteries was only about 10,000 tonnes, which increased to 20,000 tonnes in 2015. The use of electrode collector in lithium batteries is about 2-3.5g/Ah. Taking into consideration the usage of the materials and based on the average rate of 3g/Ah on the assumption that output voltage is 3.6V, it is estimated that (that is, it can be interpreted that the copper-foil demand for each unit of electricity consumed is 0.83kg) the usage of copper-foil power batteries in new energy vehicles globally will be 105,000 tonnes by 2020. Taking into account the use of lithium electrolytic copper-foil in non-power batteries, the global demand for lithium electrolytic copper-foil will increase from 70,000 to 80,000 tonnes in 2015 to 200,000 in 2020. The proportion of lithium electrolytic copper-foil in domestic demand will increase from 39% in 2014 to 54% in 2020. Based on this, it is estimated that domestic demand for lithium electrolytic copper-foil would increase from

30,000 to 40,000 tonnes in 2015 to 100,000 tonnes in 2020. Of them, the demand for lithium electrolytic copper-foil for manufacture of power batteries will surge from 13,000 tonnes in 2015 to 62,000 tonnes in 2020.

Lithium electrolytic copper-foil companies are obviously not prepared for exponential growth in the demand because their supplies are far from enough to satisfy the demand. In 2015 and 2016, many producers adjusted their product structures in order to meet the demand, but there were limited room for a shift of production and flexible production. As various specific policies on new energy vehicles were introduced in the 2nd half of 2016, the imbalanced demand and supply of lithium electrolytic copper-foil becomes more obvious. Taking into consideration the high capital expenditure, long development cycle and relatively high technological market barriers, it is estimated that the undersupply of lithium electrolytic copper-foil will persist until 2018. Lithium electrolytic copper-foil has totally shifted to the seller's market.

From the current development trend of lithium ion batteries in China, it is obvious that main application of lithium ion batteries has gradually shifted from simple and low power to high technology and high power. The specific applications include lithium batteries in new energy vehicles as well as those of small electric vehicles, electrical tools and mine lights: (1) Small electric vehicles: Currently, their sale in China represents more than 90% of their global sale. The extensive supporting industry system for small electric vehicles has been formed. As a result, China has become main producer, main consumer and main exporter of small electric vehicles. At present, there are 0.181 billion electric vehicles in China. 95% of them use lead storage batteries, less than 5% of them use lithium batteries. Under China's requirements set for energy-saving and environmental, electric vehicles which use lithium batteries will become the future trend, this will directly drive huge growth in demand for lithium ion batteries. (2) Lithium batteries in electrical tools: In the last decade, the electrical tool manufacturing industry in China grew rapidly with relatively low labour and sound supporting infrastructural facilities. China has become the largest producer and exporter in the world. Currently, China supplies more than 90% of the supporting batteries for cordless electrical tools used in the world. The BYD Company Limited and Jiangsu Highstar Battery Manufacturing Co., Ltd occupy about 45% market shares. Therefore, the overall market growth, especially growth in sale of medium- and high-end cordless electrical tools in China, will drive strong demand for high power premium supporting power source. (3) Lithium batteries in mine lights: As at the end of October 2015, there were about 6,431 companies which engaged in coal mining, washing and dressing. Several million mine lights have been in use. The conventional plumbic acid and alkaline batteries are poor in storage, large and heavy. Besides, used batteries also constitute serious environmental problem. As coal companies develop towards scaling-up, centralization and industrialization, more and more coal companies will use lithium batteries in their coal mining operation, this will further expand the demand for lithium batteries.

In conclusion, extensive use of all kinds of lithium ion batteries will strongly drive huge growth in the demand for electrolytic copper-foil as their major raw material.

### 3) *Market conditions of standard and super-thick copper-foils*

Standard and super-thick copper-foils have been applied to printed circuit board (PCB) of different power according to their own thickness and technologies. PCB is the basis of electronic connection, they are the most extensively produced components in the electronic compartment industry, and serve as the supporting and connecting components of electronic units. They have been extensively used in communication, optoelectronics, consumer electronics, automobile and aerospace. Their technical standards continue to rise as electronic products advance. As the main material for PCB, electrolytic copper-foil has also been more and more extensively applied as PCB technology develops. Currently, the manufacture of electrolytic copper-foil gradually shifts towards large-scale production in China. Besides, PCB industry also continues to develop rapidly as information transmission digitizes and virtualizes. According to statistics of the 2015 Statistical Bulletin of Electronic Information Industry released by the Ministry of Industry and Information Technology, industries above designated size in China earned incomes in the amount of RMB15,400 billion in 2015, representing 10.4% year-on-year growth.

In the last few years, thanks to cross supports from new terminal products and new markets, the global PCB market had successfully recovered and even grown. According to analysis of Prismark and reports released by the Industrial Securities Research and Development Center, the sector's future development trend is reflected in the changes in PCB application structure and product structure. In recent years, output values of HDI boards, package boards and soft boards have increased as output values of single/double boards and multi-layer boards fell. These show that the application to computer mainboards, communication back boards and vehicle panels grew relatively slowly whereas the application to HDI boards, package boards and soft boards used in "thin and compact" electronic products such as high-end hand set and notebook computers maintained rapid growth.

According to the Intelligence Research Group's 2015-2020 Report on PCB Full Market Survey and Industrial Competition Scene, PCB companies will enter rapid growth stage under growing domestic sale and continual shift of global productivity.

In China, the emergence of all kinds of electronic products and LED constitutes strong impetus for development of the PCB industry. In the next 5 years, PCB industry in China will continue to grow rapidly. In 2014-2020, PCB industry in China will have a broad prospect. Under influence of cost and shifts in downstream industry, the PCB industry is gradually shifting to China, which is the most actively growing PCB market in the world. It was estimated that in 2016 the output value of the Mainland PCB market maintained the leading status with the high figure of US\$33.1 billion, representing 46% of the global output value of US\$72 billion.

The automotive industry will also bring a new opportunity to development of electrolytic copper-foil. As the major material of automobile PCB, the demand for electrolytic copper-foil will greatly increase as the automotive industry develops. Currently, China is the large producer and seller of automobiles in the world. According to statistics of the China Association of Automobile Manufacturers, sales of automobile in China set the records of 24,503,300 and 24,597,600 in 2015, representing growth rates of 3.3% and 4.7% respectively. Overall, stable growth was witnessed with production and sale growths falling 4 and 2.2 percentage points respectively. At present, electronic automated products represent about 30% of the total cost of automobile manufacture in China whereas they represent 50%~60% in total cost of international advanced automobile manufacture. As automotive industry in China develops rapidly and electronic automation increases in proportion, there will be rapid growth in the demand for electrolytic copper-foil in China. As high-power PCB manifests its unique performance and advantage in terms of safety and stability in high-end automobiles, high-end electrolytic copper-foil used in high-power PCBs will also arouse high attention of the automotive industry.

#### 4) *Industry Laws, Regulations, and Industrial Policies*

The industry's policies include: "National Medium- and Long-Term Science and Technology Development Plan (2006-2020)"; "China High-Tech Products Catalog (2006)"; "Catalog of Recommended High-Tech Products for the Nonferrous Metals Industry (2013)"; "Catalog of Industrial Restructuring Guidelines (2011, revised in 2013)"; "China's Chemical and Physical Power (Battery) Industry" 2nd Five-Year "Development Plan"; "Electronic Information Manufacturing Industry" 12th Five-Year "Development Plan"; "Electronic Basic Materials and Key Components" 12th Five-Year "Special Plan"; "Made in China 2025"; "Energy-Saving and New Energy Vehicles Industry Development Plan (2012-2020)"; and so on.

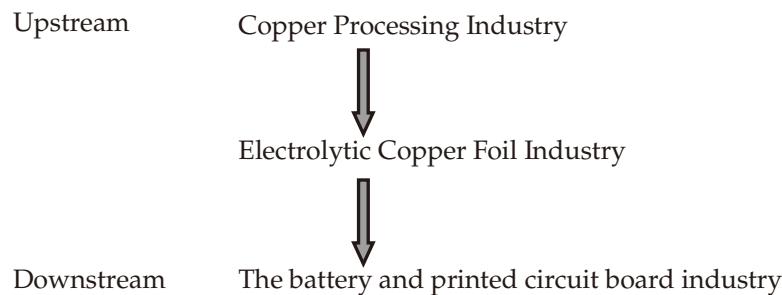
Number	Policy Name	Issuing Authority	Main Points
1	"Outline of the National Medium- and Long-Term Science and Technology Development Plan (2006-2020)"	State Council	Important high-performance secondary battery materials and key technologies, the development of energy-efficient conversion, and energy storage system materials
2	"China High-Tech Product Catalog 2006"	Ministry of Science and Technology, Ministry of Finance, State Administration of Taxation	The electrolytic copper foil is included in the High-Tech Product Catalog (product serial number 06010043)

Number	Policy Name	Issuing Authority	Main Points
3	"Catalog of Recommended High-Tech Products for the Nonferrous Metals Industry (2013)"	China Nonferrous Metals Industry Association	The electrolytic copper foil is included in the "1. copper and copper alloy high-tech products" category (serial number 22), with the tax code classification of 74101100. The main performance indicators for the use of electrolytic production of roll or flake copper foil are purity of $\geq 99.8\%$ , and the thickness of $\leq 18 \mu\text{m}$ ; the main application areas are to produce various CCL and multilayer circuit boards.
4	"Catalog of Industrial Restructuring Guidelines (2011, revised in 2013)"	National Development and Reform Commission	"Lithium-ion battery" and "lithium-ion battery with lithium iron phosphate and other cathode materials, mesophase carbon microspheres and lithium titanate and other negative materials, single layer and three layers of lithium-ion battery separator" are listed to encourage the development of light products.
5	"China's chemical and physical power (battery) industry," 12th 5-year "development plan."	China Chemical and Physical Power Industry Association	Lithium-ion battery key development models, storage types, and lithium ion batteries among other materials; Increase the use of lithium-ion batteries in electric bicycles, electric motorcycles, buses and small pure electric vehicles (including low-speed electric vehicles) and other fields to promote the use of lithium-ion battery power and increase the market share.
6	"12th Five-Year" Development Plan on the Electronic Information Manufacturing Industry	Ministry of Industry and Information	As part of the "12th Five-Year" Development Plan of the Electronic Information Manufacturing Industry, some of the priorities include: "Electronic components with CCL," "electronic copper foil," and "small lithium battery and power lithium battery materials."
7	"Electronic basic materials and key components" are included in the "12th Five-Year" "Special Plan."	Ministry of Industry and Information	"CCL materials and electronic copper foil" will be included as a development focus of the new components of materials.

Number	Policy Name	Issuing Authority	Main Points
8	Guidance on Priority Areas for High-Tech Industrialization Prior to Development (2011)	National Development and Reform Commission, Ministry of Science and Technology, Ministry of Industry and Information Technology, Ministry of Commerce, State Property Rights Office	“Rolling printed circuit board and lithium batteries with high performance and low profile electronic copper foil” will be added to the current priority focus areas for the development of high-tech industrialization.
9	“China Manufacturing 2025”	State Council	Continue to support the development of electric vehicles and fuel cell cars: Enhance the engineering of power batteries and the capacity for industrialization.
10	“Energy Conservation and New Energy Vehicles Industry Development Plan” (2012-2020)	State Council	Accelerate the cultivation and development of energy-saving cars and new energy vehicles; by 2015, accumulated production and sales efforts of pure electric vehicles and plug-in hybrid cars will reach 500,000; By 2020, pure electric vehicles and plug-in hybrid cars will have a production capacity of 2 million, with cumulative production and sales of more than 5 million.

#### 4. Business Analysis of the valued entity

The company’s main electrolytic copper foil research & development and production & sales includes non-ferrous metal smelting and rolling processing industrials. The upstream industry is copper processing, and the downstream sector includes the lithium battery and printed circuit board industry, and the supply chain chart is as follows:



*(1) Analysis of Connection to the Upstream Industry*

The copper processing industry is the main supplier of raw materials for the electrolytic copper foil industry. Copper processing involves taking the cathode copper as raw material, and processing it into copper, copper rods, cables, and other products. The copper processing industry is a competitive industry; the development of the copper processing industry is beneficial to technological progress and industry development overall. Copper rods are the company's main raw materials in electrolytic copper foil production, and is the main component of its production costs; The advantages and disadvantages in the product quality of the copper rod product also have a significant impact on Wason Copper-Foil's production of electrolytic copper foil. The main raw materials used in Wason Copper-Foil's production can be adequately supplied from abroad through outsourcing, and some of the auxiliary materials used in the production process can be easily purchased. Changes in raw material prices caused by the copper material processing industry will directly affect the procurement costs of this industry; the raw material quality and the delivery cycle will also affect the quality of the industry's products and delivery cycle. If the raw material costs increase or the supply decreases, it will lead to an increase in industry costs or affect the delivery cycle, thus affecting the development of the industry.

*(2) Analysis of Correlation with the Downstream Industry*

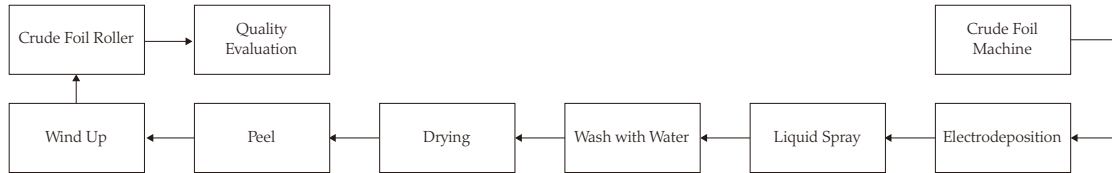
Wason Copper-Foil's affiliated downstream industry are lithium batteries and printed circuit board manufacturing businesses; the downstream industry has a guiding and driving effect on the development of this industry. Thus, the development of lithium batteries and printed circuit boards in the manufacturing industry has a direct impact on the industry's market space. In recent years, the development of new energy vehicles and the electronic information industry has created better development conditions for the development of the industry. The market capacity continues to expand and will continue to grow in the foreseeable future. The performance indicators for electrolytic copper foil in the downstream industry are also rising. This industry must continue to increase investment in the fields of technology research & development and innovation, to meet the increasing market demand for new products. In addition, if the downstream industry growth slows down, the reduction of production capacity and decline in investments will reduce the demand for the industry's products, thereby affecting the development of the industry.

The company's process flow chart is as follows:

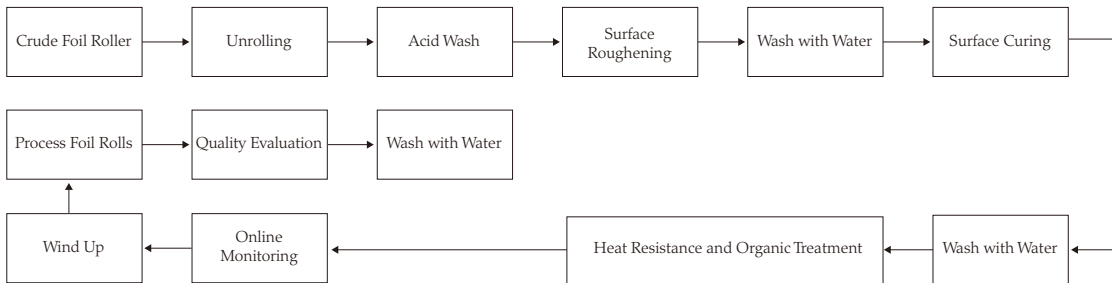
A. *Solution Preparation Work Process:*



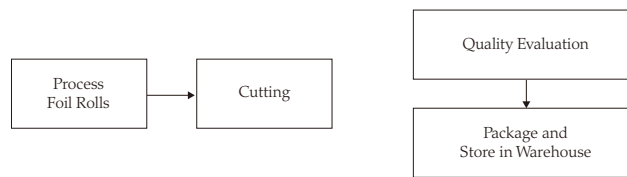
B. *Crude Foil Production Process:*



C. *Surface Treatment Process:*



D. *Cutting Work Process:*



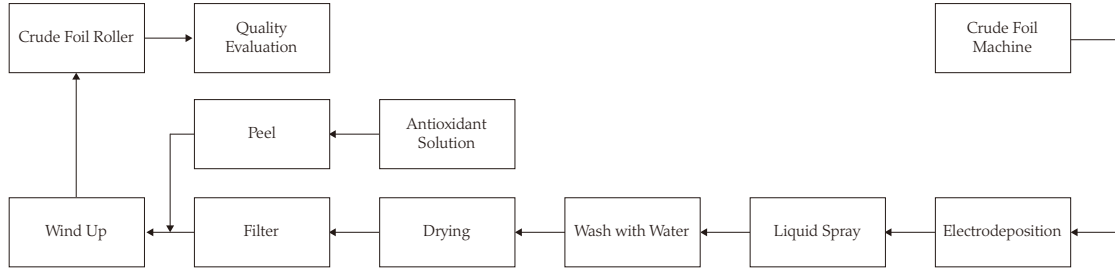
High Capacity Lithium Battery Special High-Performance Battery Foil Production Process Flow Chart

A. *Solution Preparation Work Process:*

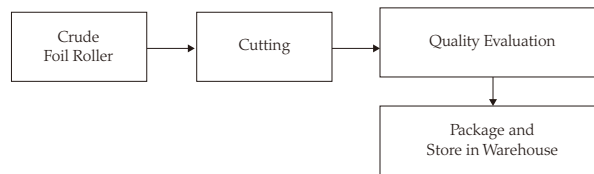




*B. Crude Foil Production Process:*



*C. Cutting Work Process:*



**5. The recorded or unrecorded types of intangible assets, the number, and legal rights, etc. as declared by the valuated entity**

The off-book intangible assets declared by the valuated entity are patent rights and the trademark rights; see Scope of the Valuation for list.

**6. The type and number of off-balance sheet assets declared by the business**

The off-balance sheet assets declared by the Company are the aforesaid off-balance sheet intangible assets, and there is no other off-balance sheet asset declared.

**7. Reference asset, quantity, and carrying amount (or valuation) addressed by the conclusions of reports issued by other organizations**

The results of the valuation issued by other appraisal organizations are not quoted.

#### IV. TYPE OF VALUE AND ITS DEFINITION

1. Type of Value and its Selection: The type of asset value includes both the market value and the value of the market value (investment value, utility, liquidation value, residual value, etc.). After the appraiser and the principal fully communicate and, according to the purpose of the valuation of the valuation items, assess the specific situation of the subject of the valuation and the collection of valuation data for the collection situation and other related conditions, they will select the appropriate type of value, and agree with the principal on the type of value of this valuation, the final selection of the market value for the type of value used in the Conclusion of the Valuation.
2. Market Value Definition: The market value referred to as the valuation in this valuation report refers to the estimation of the fair value of the normal fair transaction of the subject of the valuation at the valuation base date by a voluntary buyer and the voluntary seller done rationally and without any coercion.
3. Reasons for Selecting Type of Value: with a view from the purpose of the valuation the purpose of this valuation is to provide Beijing Zhongxin Zehui Investment Company Limited and Lingbao Gold Group Company Ltd. information for Beijing Zhongxin Zehui Investment Company Limited to serve as consideration for its acquisition of equity interest of Wason Copper-Foil at its market value as of the valuation base date. This economic practice is a normal market economic practice; a valuation according to the market value of the transaction is generally more acceptable to the parties to the transaction; With a view toward the market conditions: Following further development in capital markets, equity restructuring will become increasingly frequent, and the market value based transaction will be accepted by more and more investors; With an eye to the relationship between the choice of type of value and assumptions of the valuation: The assumptions of the valuation are based on the simulation of a fully open and fully competitive market; that is, the purpose of setting the valuation assumptions is to exclude the impact of anomalous factors and non-normal factors on the conclusion of the valuation; With a view toward the type of value: When there is no special restriction or requirement on the market conditions and the use of the subject of the valuation, the market value should be chosen as the type of value of the conclusion of the valuation.

#### V. VALUATION BASE DATE

- (A) The valuation base date for this project is 31 December 2016. The valuation base date is consistent with the valuation base date set out in the Asset Valuation Business Contract for this valuation.

- (B) Determine the main factors considered in the valuation base date:
1. The valuation base date aligns as much as possible with the appraiser's actual implementation of the on-site review date, so that the appraiser can better grasp the valuation of the assets and liabilities of the subject of the valuation at the valuation base date to facilitate the true reflection of the current value of the subject of the valuation at the valuation base date.
  2. The valuation base date is as close as possible to the planned implementation date of the economic practices corresponding to the purpose of the valuation, so that the point of time used for the valuation base date is more valuable for the consideration of the planned transaction of the parties, to facilitate the conclusion of the valuation.
  3. The valuation base date aligns as much as possible with the economic practices for the purpose of the valuation so that the implementation date is as close as possible to the accounting report date, so that the appraiser can have a more comprehensive understanding of the subject of the valuation's related assets, liabilities and of the overall situation, etc. – in order to facilitate the valuation work, i.e. for the appraiser to conduct a systematic on-site review of the subject of the valuation and collect the valuation data for conducting the valuation work.

Additionally, there is full communication between the principal and ultimately for the principal to select the above date for the valuation base date for this valuation.

## VI. VALUATION BASIS

### (1) Basis for Economic Practices

1. The Asset valuation business contract executed by this company.

### (2) Basis in the Laws and Regulations

1. "The People's Republic of China Assets Appraisal Law" (People's Republic of China Chairman's Order 12th Session No. 46);
2. "The Company Law of the People's Republic of China" (28 December 2013, amended in the sixth meeting of the twelfth Standing Committee of the National People's Congress Committee);
3. "The Securities Law of the People's Republic of China" (Adopted at the 18th Session of Standing Committee of the National People's Congress of the Tenth National People's Congress on 27 October 2005);

4. "The business Income Tax Law of the People's Republic of China" (Adopted at the Fifth Session of the Tenth National People's Congress (NPC) on 16 March 2007);
5. "Temporary Regulation on Value Added Tax of the People's Republic of China" (Decree No. 538 of the State Council of the People's Republic of China);
6. "The People's Republic of China Interim Regulations on Value Added Tax Implementation Rules" (Ministry of Finance, State Administration of Taxation Decree No. 50, by the Ministry of Finance, State Administration of Taxation Order No. 65);
7. "The Urban Real Estate Administration Law of the People's Republic of China";
8. Other laws, regulations, and rules relating to the valuation.

**(3) Basis of the Valuation Criteria**

1. "Asset Valuation Criteria – the Basic Criteria" (Financial businesses [2004] No. 20);
2. "Professional Ethics for Asset Valuation – Basic Criteria" (Financial and business [2004] document No. 20);
3. "Professional Ethics for Asset Valuation – Independence" (PRC Appraisers [2012] document No. 248);
4. "Asset Valuation Criteria – Valuation Report" (in the Association [2007] 189, the Valuation Association [2011] No. 230 Revision);
5. "Asset Valuation Criteria – Evaluation Procedure" in the Association [2007] No. 189);
6. "Asset Valuation Criteria – Working Papers" (in the Association [2007] No. 189);
7. "Asset Valuation Criteria – Business Agreement" in the Association [2007] No. 189, China Association for Valuation [2011] No. 230 Revision);
8. "Asset Valuation Criteria – Business Value" (in the Association [2011] No. 227);
9. "Asset Valuation Criteria – Real Estate" (in the Association [2007] No. 189);

10. "Asset Valuation Criteria – Machinery and Equipment" (in the Association [2007] No. 189);
11. "Asset Valuation Criteria – Intangible Assets" (in the Association [2008] No. 217);
12. "Registered Assets Appraiser Concerned About the Subject of the Valuation of Legal Rights Guidance" (Association [2003] No. 18);
13. "Guidance on Valuation of Value Types of Assets" (in the Association [2007] No. 189);
14. "Notice of the China Review Association on the Modification of the valuation reports and Other Related Terms" (in the Association [2011] No. 230).

**(4) Asset Ownership Basis**

1. The license, the articles of association and other documents providing proof of property rights of the valuated entity;
2. Asset ownership related to the contract and the investment agreement of the valuated entity;
3. The real estate license, land use right certificate, motor vehicle driving license, patent certificate, trademark and other documents providing proof of property rights;
4. The equipment purchase contract, invoices, and other documents providing proof of property rights.

**(5) The basis for Assessing the Price:**

1. The Manual of Common Data and Parameters Used in Assets Valuation;
2. The Machinery Industry Press 2017, "Mechanical and Electrical Product Pricing Manual";
3. The Machinery Industry Press, "Assets Valuation Common approaches and Manual of Common Data and Parameters Used in Asset Valuation" (2011 Edition);
4. The history and current price information provided by the valuated entity;
5. The main equipment invoices for purchases, contracts, etc. provided by the valuated entity;

6. The appraiser is to obtain the basis of inquiry from the relevant manufacturers and operators;
7. The valuation is to be based on the information collected by the appraiser from the on-site investigation;
8. The valuation base date of the securities market information;
9. WIND information;
10. Other.

## VII. VALUATION APPROACHES

### (A) Introduction to Valuation Approaches (Avenues or Ideas)

The basic valuation approaches stipulated in the "Asset Valuation Criteria – Basic Criteria," "Asset Valuation Criteria – Business Value," and the relevant valuation criteria include the Income Approach, the Market Approach, and Asset-Based Valuation approaches. The asset appraiser shall carry out the business value valuation based on the conditions related to the valuation purpose, type of value, data collection, etc. Analyzing the utility of the income approach, market approach, and asset based valuation approach, and appropriately choose one or more of these basic valuation approaches.

#### 1. *Income Approach*

The Income Approach in the business value valuation refers to determining the valuation approaches for the value of the subject of the valuation by capitalizing or discounting the expected return. Common approaches include the dividend discount approaches and cash flow discount approaches; The dividend discount approaches is a specific approach of discounting the expected dividend to determine the value of the assessing object, which is usually applied to the valuation of the part of the equity value of the shareholders who lack control; The cash flow approaches is a specific approach of discounting the expected cash flow to determine the value of the assessing object, including the business's free cash flow discount model and the share equity free cash flow discount model. The basic formula of the Free Cash Flow of the Firm (FCFF) model is:

Total business value = the sum of the present value of the Free Cash Flow of the Firm (FCFF) during the beneficial term + Non-operating assets valued value and the total valuation amount of surplus assets and the surplus capital valuation

Volume of the free cash flow of the firm (FCFF) = net profit after tax + depreciation and amortization + interest  $\times$  (1 – income tax) – Capital Expenditures – Additional net working capital

$$P = \sum_{i=1}^n \frac{A_i}{(1+r)^i} + B$$

Including P – Value of the Subject of the Valuation;  
 r – Discount Rate;  
 Ai – Future 1-year Prediction of Volume of the Free Cash Flow of the Firm (FCFF);  
 i – Earnings Forecast (Annual);  
 n – Earnings Forecast Term;  
 B – Non-Operating Assets Valued Value and the Total Valuation Amount of Surplus Assets

Entire Value of Shareholder's Equity = Entire Business Value – Value of Serviced Debt Interest

## 2. *The Market Approach*

The market approach in the business value valuation refers to a valuation approach for determining the subject's value by comparing the subject of the valuation with a comparable listed company or comparable transaction cases. Two specific approaches are commonly used, those being the Listed Companies Comparative Approach and the Market Transactions Case Comparison Approaches.

The public company comparison approach refers to obtaining and analyzing the financial data of a comparable public company, then calculate the appropriate value ratio, the specific method for calculating the appropriate value ratio, based on a comparative analysis of the valuated entity, and determining the value of the subject of the valuation. The estimation formula is:

Value of the Subject of the Valuation = Value Index Related to Valuated entity  $\times$  the Adjusted Value Ratio (or Value Multiplier)  $\times$  Liquidity and Other Adjustment Factors + Other Factors in the Adjustment

The market transactions case comparison method refers to a comparative analysis of the valuated entity and determining the value of the subject of the valuation. The specific approaches for calculating the appropriate value ratio, based on a comparative analysis of the valuated entity, and determining the value of the subject of the valuation. The estimation formula is:

Value of the Subject of the Valuation = Value Index Related to Valuated entity  $\times$  Corrected Value Ratio (or Value Multiplier) + Other Factors in the Adjustment

### 3. *Asset-Based Valuation Approach*

The Asset-Based Approach refers to a valuation approach for determining the value of the subject of the valuation based on the balance sheet of the valuated entity, to assess the valuation base date and reasonably assess the assets and liabilities on and off-balance sheet. Its basic formula is as follows:

$$\text{Entire Value of Shareholder's Equity} = \text{Sum of Individual Asset Valuation Values in Each Item} - \text{Sum of Individual Liabilities in Each Item}$$

#### **(B) The Selection of Valuation Approaches and Their Reasons**

1. Select a valuation approach according to the purpose of the valuation, subject of the valuation, valuation data collection situation, and other related conditions.
  - (1) The purpose of this valuation is that Beijing Zhongxin Zehui Investment Stock Co., Ltd., intends to acquire 60% equity interest in Wason Copper-Foil, held by Lingbao Gold Group Co., Ltd., and this valuation considers the entire value of shareholder's equity interest of Wason Cooper-Foil as provided by the economic practices of Wason Copper-Foil;
  - (2) The valuated entity will continue to operate whether the purpose of this valuation is realized or not;
  - (3) It is not appropriate to use the Market Transactions Case Comparison Approaches if it is not possible to obtain the trading background and transaction information of the comparative public equity transaction cases for the industry of the valuated entity; At the same time, in the capital markets, when the listed companies in the same industry are quite different, it is not appropriate to adopt the comparative approach for listed companies. Therefore, the market comparison approaches should not be adopted for this valuation;
  - (4) The asset based valuation approach primarily values the business value based on asset upgrades and renewal, and sometimes the off-balance sheet assets value is difficult to completely and accurately show, making it impossible to show the company's future profitability and management quality. In this case, the Asset-Based Valuation approach should not be adopted in this valuation;
  - (5) The valuated entity can provide all the information needed for the Income Approach.



In summary of this analysis, we consider that the evaluation should adopt the Income Approach.

2. Applicable judgments to select the income approach for the valuation
  - (1) Judge the applicability of the Income Approach based on the overall situation

Wason Copper-Foil's core business is for the production and sale of electrolytic copper foil, and its main products are for the lithium battery copper foil and circuit board copper foil. Wason Copper-Foil was founded in October 2001, after years of operation and construction. Its operational model, sales model, and management model have gradually become more mature and stable. The current primary customers include BYD, Tongling Keyu, Health Technology, Jin'an International, Ultrasound Electronics, etc. The market is more stable, and the development potential is substantial.

According to the above analysis: The operational model, sales model, and management model of the valuated entity are gradually more mature and stable, and the market is gradually expanding. There is a clear business goal. The future income can be reasonably predicted and valued by the Income Approach.

- (2) According to the business accounting statements, determine the applicability of present value from the Income Approach

According to the audit of the valuated entity in 2014, 2015, 2016, the audited financial statements show that their operating income grew rapidly in recent years; the first three years of revenue growth were 18.02%, 3.09%, and 19.23%. In 2016 the company achieved a net profit of 125 million; profitability over the previous years has greatly improved, mainly because the copper market is currently in short supply due, and there were price increases.

According to the above analysis: The income of the valuated entity is growing, and the profitability is also strong, so it is appropriate to use the Income Approach to value it.

- (3) Judgment from the future earnings of the valuated entity and whether it can be predicted with monetary measurement

The profitability of the subject of the valuation can be reasonably predicted according to the operating data of the valuated entity for the historical year and the business plan of the future year. Which is: The operating income of the valuated entity can be measured in monetary terms, and the matching costs can be transferred in monetary terms, and the inflow of other economic benefits can also be measured in monetary

terms. Thus, the expected return generated by the overall profitability of the subject of the valuation can be weighed in monetary terms.

- (4) The risk associated with obtaining future earnings from the valuated entity can be quantified

The risks of the valuated entity are mainly the domestic macroeconomic environment risk, policy environment risk, product quality risk, and talent and experience risk. Having conducted an analysis, the appraiser believes that the risks to the assets associated with the subject of the valuation can be quantified.

Based on the above analysis, the appraiser believes: The Income Approach is theoretically and practically applicable to this valuation.

**(C) The Specific plan and model for this valuation under the income approach**

**1. *Specific plan and model***

Common approaches include the dividend discount approach and cash flow discount approach; The dividend discount approach is a specific approach of discounting the expected dividend to determine the value of the assessing object, which is usually applied to the valuation of the part of the equity value of the shareholders who lack control; The cash flow approach is a specific approach of discounting the expected cash flow to determine the value of the assessing object, including the business's free cash flow discount model and the share equity free cash flow discount model. The overall idea to determine the entire value of the shareholder's equity of Wason Copper-Foil, is to use the indirect approach to estimate the volume of the Free Cash Flow of the Firm (FCFF) for the valuated entity, to calculate the overall value of the business, and valuing the entire value of shareholder's equity after deducting the interest of the debt capital. In the process of specific valuation, the Discounted Revenue Discount Model is selected. Which is: The continued future income of the valuated entity is divided into two stages: The Clear Forecast Period and the Perpetual Term. First, the net profit margin of the business is calculated for the annual Free Cash Flow of the Firm (FCFF) (Valuation base date to the end of 2021); And then assume that the revenue level through the last year will be maintained in the perpetual term, to estimate the stability of the Free Cash Flow of the Firm (FCFF) during the perpetual term. Finally, the valuated entity's future volume of the Free Cash Flow of the Firm (FCFF) will be discounted, together with its valued Non-Operating Assets and the total valuation amount of Surplus Assets and the total value of the assessed assets of the surplus capital valuation, and deduct the valuated entity's liabilities interest as of the base date to obtain the entire value of the shareholder's equity for the valuated entity. According to the above analysis, the future earnings forecast of the valuated entity will be divided into the following two stages. The first stage is a clear forecast period, from 2017-01-01 to 2021-12-31, for a total of 5 years. This stage is the growth

period of the valuated entity and tends to be stable. The second phase is a perpetual term, beginning 2022-01-01. At this stage, the valuated entity is in a stable period, it will maintain the level of income as in 2021, and remain basically stable. Its Basic Estimation Formula is as follows:

The Overall Value of the business = the Sum of the Present Value of the Free Cash Flow for Each Period in the Future Income Period + valued Non-Operating Assets and the Total Valuation Amount of Surplus Assets

Which is:

$$P = \sum_{i=1}^t \frac{A_i}{(1+r)^i} + \frac{A_t}{r(1+r)^t} + B$$

Where:

- P – Total enterprise value;
- r – Discount Rate;
- T – a Clear Forecast Period of Income Years; this valuation uses 5 years;
- A<sub>i</sub> – clear forecast period 1-year prediction of Volume of the free cash flow of the firm (FCFF);
- A<sub>t</sub> – Future Revenue: A Stable Year's Forecast Volume of the Free Cash Flow of the Firm (FCFF);
- i – Income Discount Period (Years);
- B – Non-operating assets evaluated valued and the total valuation amount of surplus assets

Volume of the Free Cash Flow of the Firm (FCFF) = Net Profit After Tax + Interest × (1 – Income Tax Rate) + Depreciation and Amortization – Capital Expenditures – Additional Net Working Capital

Entire Value of Shareholder's Equity = Entire Business Value – Value of Serviced Debt Interest

## 2. *The Determination of Income Indicators*

### (1) Estimation of Beneficial Term

In accordance with the provisions of the articles of association of the valuated entity, Wason Copper-Foil shall not be limited to the operating period except in the event of cause for the dissolution of Wason Copper-Foil under the Company Law of the People's Republic of China. From the point of view of an analysis of the business valuation, the valuated entity is operating normally, there is no necessary termination condition, in general, the beneficial term is indefinite, and when the future beneficial term is longer than the indicated time, the future earnings have negligible impact on the present value, so this valuation will set the beneficial term to an unlimited period.

## (2) The Choice of Discount Rate

The Discount Rate, also known as Expected Return on Investment (ROI), is an important parameter used in the Income Approach. The estimate of the Discount Rate used in this valuation is based on the consideration of the interest rates on the base date, the rate of return on the market, the company's specific risk-return tradeoff ratio (including Rate of Excess Return), and other risk factors of the valuated entity as used in the Capital Asset Pricing Model (CAPM), which is used to estimate the overall cost of equity capital assets, and to estimate the overall equity rate of return of the valuated entity with reference to the capital structure of the comparison company, and then comprehensively estimate the total overall Weighted Average Cost of Capital (WACC), and as a basis for the valuation of the valuated entity, the free cash net cash Discount Rate of the total capital. The estimation process and the formula are as follows:

Equity Capital Cost is estimated by the Capital Asset Pricing Model as follows:

$$\begin{aligned} \text{CAPM or } R_e &= R_f + \beta (R_m - R_f) + R_s \\ &= R_f + \beta \times \text{ERP} + R_s \end{aligned}$$

In the above formula:  $R_e$  : Cost of Equity Capital;

$R_f$  : Risk-Free Rate;

B: Beta Coefficients;

$R_m$  : Capital Market Average Rate of Return;

ERP : i.e. the Market Risk Premium ( $R_m - R_f$ );

Rs: Specific Risk-Return Tradeoff Ratio (including business Scale Rate of Excess Return).

Weighted average cost of capital (WACC) estimation formula is as below:

$$\begin{aligned} \text{WACC} &= E / (D + E) \times R_e + D / (D + E) \times (1-t) \times R_d \\ &= 1 / (D / E + 1) \times R_e + D / E / (D / E + 1) \times (1 - t) \times R_d \end{aligned}$$

In the above formula: WACC: Weighted average cost of capital (WACC);

D: Debt market value;

E: Equity Market Value;

$R_e$ : Cost of Equity Capital;

$R_d$ : Debt Capital Cost;

D/E: Capital Structure;

t: Corporate Income Tax Rate.

**VIII. THE EVALUATION PROCEDURE AND THE IMPLEMENTATION PROCESS**

The overall valuation work is carried out in four phases:

**(A) Valuation Preparation Phase**

1. *A clear valuation of the basic items of the valuation, and the preparation of the valuation plan.*

After accepting the project engagement, communicate with the principal to understand the basic items of the valuation project, plan the valuation work, and formulate the valuation plan.

2. *Provide and Submit Materials List*

According to the characteristics of the valued assets, submit the targeted due diligence investigation materials list, the valuation statement of assets and liabilities, the Income Approach valuation statement; then the valuated entity shall be required to prepare for the valuation.

3. *Provide Form-Filling Assistance*

Contact the relevant staff of the valuated entity, arrange for and counsel them to assess the requirements of the valuation statement application form and the information necessary for the valuation.

**(B) Due Diligence Investigation On-Site Valuation Stage**

1. *Review & Investigate Information*

Identify and review the reported materials of the valuated entity, and with the relevant financial records of the organization, check the data and, in coordination with the organization, make adjustments to any problems found.

2. *Site Survey and Important Inventory*

Verify and make a record of the implicated assets of the subject of the valuation, the place of operations of the valuated entity, and perform a detailed investigation and make close records of the important assets.

3. *Due diligence investigation interview*

As far as possible, according to the future development plan and revenue forecast among other reporting materials provided by the valuated entity, reach a consensus on the industry history and future development trends of the valuated entity and business management through seminars, meetings, phone interviews and other formats.

**4. *Determine the Valuation Approaches and Methods***

According to the actual situation and characteristics of the subject of the valuation, determine the specific model and approaches for the valuation.

**5. *Valuation Estimates***

According to the valuation methods and approaches, assess the results of the valuation of the subject of the valuation, and draft the relevant valuation notes.

**(C) Valuation Summary Stage**

According to the preliminary results of the summary and analysis, the results of the necessary adjustments and amendments, improve the initial valuation of assets to reach an initial Conclusion of the Valuation and draft the valuation report, which will be submitted for internal company review.

**(D) Submit Valuation Report**

Based on the above work, and without affecting the valuing organization and assessors, independently from the conclusion of the valuation with the principal under the premise of the exchange of views on the valuation results, and after considering the relevant opinions, according to the internal company review system and procedures for the valuation, make repeated changes and verifications, and finally, issue a formal valuation report.

**IX. ASSUMPTIONS OF THE VALUATION**

**(A) General Assumptions**

**1. *Fair Transaction Assumption***

The Fair Transaction Assumption assumes that the subject of the valuation is already in the process of the transaction, and the assessor simulates the market according to the Fairness Principle of the subject of the valuation according to the transaction conditions. Fair Transaction Assumption is one of the most basic assumptions of assets valuation.

**2. *Open Market assumption***

The Open Market Assumption assumes that the assets traded on the market or the assets to be traded on the market where both parties are of equal position, and that the parties have opportunity and time to obtain sufficient market information to make rational judgments on the functions, uses, and

transactions of the assets, transaction price, and so on. Open Market Assumption assumes the basis that assets can be publicly traded on the market.

**3. *Asset Sustainability Assumption***

Asset Operations Sustainability Assumption means that the asset value is assumed to be used in accordance with the current use, scale, frequency, environment, etc., or based on utilizing a changed foundation, corresponding valuation approach, parameters, or basis.

**(B) Special Assumptions**

1. It is assumed that there are no major changes to the existing laws and regulations and policies of the country, there are no major changes to the state's macroeconomic situation and no significant changes to the region in which the transaction is located with respect to the political, economic and social environment. And no other force majeure and adverse effect causing a significant adverse effect, if the valuated entity is in full compliance with all relevant laws and regulations.
2. It is assumed that changes to the relevant credit interest rates, tax benchmarks and tax rates, policy levy fees and other major changes will have not occurred.
3. It is assumed that in the future it will be reviewed annually as a high-tech business.
4. It is assumed that the historical financial data and future earnings forecast data provided by the valuated entity is true, accurate and complete.
5. It is assumed that the operator of the valuated entity is responsible, and its management has the capacity to assume and perform the necessary duties. And it is assumed that the existing management, business, and technical team is relatively stable, or that changes in the management, business, and technical team has no significant impact on the company management.
6. It is assumed that the accounting policies to be adopted by the company in the future and the accounting policies adopted in the preparation of the report are fundamentally consistent.
7. It is assumed that with the existing management approaches and management level of the valuated entity, given that the scope and manner of business are maintained consistently in the current direction, as to the actual circumstances at the valuation base date, it is assumed the business will continue to operate.

8. It is assumed that the operating income and expenses for the future business period of the valuated entity are the same as the operating model at the valuation base date. It is assumed that the operating expenses of the valuated entity, and the purchase price of the assets included in the subject of the valuation, are compatible with the purchasing power of the currency based on the local valuation base date.
9. It is assumed that the forecasted cash flows of the valuated entity are the period's inflows and outflows.
10. It is assumed that no other force majeure factors and unforeseen factors will have a significant adverse effect on the valuated entity.

**(C) The Impact of the Above Assumptions of the Valuation on the Conclusion of the Valuation**

The above assumptions assume the set conditions of use of the assets, market conditions, etc., which have a profound influence on the valuation value. When the assumptions are changed, the valuation conclusion will generally be invalidated.

**X. CONCLUSION OF THE VALUATION**

**(1) Conclusion of the Valuation**

As of the 31 December 2016, the valuation base date, the book value of the audited valuated entity was RMB1,799,741,300, the carrying amount of liabilities was RMB1,329,220,900, and the book value of net assets was RMB470,520,400. The entire value of shareholder's equity of the valuated entity under the income approach has an estimated market value of RMB1,049,290,000. The total valuation base date value of the audited valuated entity is RMB470,520,000, the appraised appreciation value is RMB578,769,600, and the appreciation rate is 123.01%. **That is, the final conclusion of the market value of the subject of the valuation on valuation base date is RMB1,049,290,000 (In long form: RMB one billion forty-nine million two hundred ninety thousand).** Is shown as follows:

Line Number	Project / Year	Forecast Data					2022 Years and Beyond
		2017 Amount	2018 Amount	2019 Amount	2020 Amount	2021 Amount	
1	1.) Operating Income	133,961.21	135,599.26	135,647.33	136,851.00	136,851.00	136,851.00
2	Less: Operating Cost	102,198.01	103,443.02	106,054.63	107,049.14	107,233.51	107,233.51
3	Tax and Surcharges	837.38	844.26	844.46	849.51	849.51	849.51



Line Number	Project / Year	Forecast Data					2022 Years and Beyond
		2017 Amount	2018 Amount	2019 Amount	2020 Amount	2021 Amount	
4	Sales Expense	2,623.20	2,733.25	2,797.54	2,832.06	2,848.96	2,848.96
5	Management Fees	5,584.16	5,673.64	5,710.87	5,788.80	5,827.96	5,827.96
6	Financial Costs	2,723.30	2,723.79	2,723.81	2,724.17	2,724.17	2,724.17
7	Investment Income	-	-	-	-	-	-
8	2.) Operating Profit	19,995.17	20,181.30	17,516.03	17,607.32	17,366.89	17,366.89
9	Add: Non-Operating Income	-	-	-	-	-	-
10	Less: Non-Operating Expenses	-	-	-	-	-	-
11	3.) Total Profit	19,995.17	20,181.30	17,516.03	17,607.32	17,366.89	17,366.89
12	Less: Income Tax Expense	2,999.28	3,027.20	2,627.40	2,641.10	2,605.03	2,605.03
13	4.) Net Profit	16,995.89	17,154.11	14,888.62	14,966.22	14,761.85	14,761.85
14	Add: Interest x (1-Income Tax Rate)	2,280.65	2,280.65	2,280.65	2,280.65	2,280.65	2,280.65
15	Add: Depreciation and Amortization	4,317.25	4,378.69	4,378.69	4,378.69	4,378.69	4,378.69
16	Less: Working Funds Increase	10,102.76	582.97	-691.75	406.45	-50.75	-
17	Less: Capital Expenditures	3,946.05	3,456.21	3,456.21	3,456.21	3,456.21	3,456.21
18	5.) Volume of the Free Cash Flow of the Firm (FCFF)	9,544.98	19,774.26	18,783.49	17,762.89	18,015.73	17,964.97
19	Discount Rate	10.53%	10.53%	10.53%	10.53%	10.53%	10.53%
20	6.) Discount Coefficient	0.9047	0.8185	0.7406	0.6700	0.6062	5.7567

Line Number	Project / Year	Forecast Data					2022 Years and Beyond
		2017 <i>Amount</i>	2018 <i>Amount</i>	2019 <i>Amount</i>	2020 <i>Amount</i>	2021 <i>Amount</i>	
21	7.) Free Cash Flow of the Firm (FCFF)	8,635.65	16,186.02	13,910.28	11,901.26	10,920.71	103,418.30
22	8.) Accumulated Free Cash Flow of the Firm (FCFF)						164,972.22
23	9.) Valuation of The Valuation Base Date Surplus Capital and Non-Productive Assets						13,675.93
24	10.) Business value						178,648.15
25	11.) Debt Servicing						73,719.04
26	12.) Entire Value of Shareholder's Equity (Total)						104,929.00

## (2) Conditions for Conclusion of the Valuation

1. The assets of the subject of the valuation included in the valuation are of the existing legal, economic, and technical conditions within the scope of the normal, reasonable, and legitimate operation, use, and maintenance.
2. The conclusions of the valuation are based on the assumptions of the valuation and limiting conditions set out in the present report, and the reference to the total market value of the equity interest of the shareholders of the valuated entity are for the purposes of the valuation set out in this report, which does not take into account the controlling share premium and the impact of minority equity discount and equity liquidity on the value of the valuation object or the value of the subject of the valuation; The audience of the report should understand that the partial value of the shareholder's equity is not necessarily equal to the product of the shareholders' equity and the equity ratio; The Conclusions of the Valuation also do not take into account the impact of assessing the effect of tax increases on the value of the subject of the valuation.

3. The results of this valuation report reflect the value of the subject of the valuation in the report according to the purposes of the valuation, and according to continuing operating assumptions and open market assumptions as the report states in “assumptions of the valuation and limiting conditions”, and to determine the market value we do not take into account the past or future assumption of mortgage, pledge, security and other matters; we do not consider the effect of the transaction of an additional price implicated by a special party or special method; we do not consider the impacts of natural forces and other force majeure on asset prices after the valuation base date. We did not consider whether, during the sale, the assumed costs and taxes may affect its net value.

The valuation in this valuation report is invalidated when the purpose of the valuation, the assumptions of the valuation and limiting conditions of the valuation, and the continuing operating assumptions and the open market assumptions are not followed in the valuation.

**(3) Effectiveness of the Conclusion of the Valuation**

1. The conclusion of the valuation by the professional personnel is in accordance with the relevant provisions of laws and regulations of the state and will take legal effect under the applicable rules of the laws and regulations.
2. This valuation report concluded that the assets associated with the subject of the valuation were unchanged and will continue their current use and that the purpose of the valuation as set out in the present report was based on the valuation of the external economic environment according to the valuation base date market value; the conclusion of the valuation of the valuation report is valid only if it maintains the same existing use, and remains operational and is still in the same external economic environment as on the valuation base date.

**XI. IMPORTANT NOTES**

**(1) The Use of Expert Reports Issued by Other Organizations**

This valuation is based on the KPMG Huazhen Certified Accounting Firm (Special General Partnership) Shanghai Branch audit of data provided by Wason Copper Foil regarding its financial situation and operating results as of the valuation base date, and the KPMG Audit Document No. 1702084 “Audit Report” was issued. No additional expert reports issued by other organizations were used.

**(2) Property Rights Defects**

As of the end valuation base date, Wason Copper Foil has 26 buildings; but not all the buildings have a building title certificate. In this regard, Wason Copper Foil issued a Letter of Commitment for the buildings in the company's actual possession and control; the details are shown as follows:

Number	Building Names	Building Area (m <sup>2</sup> )	Structure	Year of construction
1	Canteen	479.00	Brick Wood	2007-12
2	Boiler Room	519.00	Mixing	2007-12
3	2 # Air Conditioning Unit Plant	107.25	Mixing	2007-12
4	Power Distribution Room	18.00	Brick Mixing	2007-12
5	Machine Room	20.00	Brick Mixing	2007-12
6	Generator Room	18.00	Brick Mixing	2007-12
7	Fire Room	54.00	Brick Mixing	2007-12
8	Boiler Room	59.40	Mixing	2007-12
9	Primary Research & Development Center	3,200.00	Mixing	2008-06
10	Realty 6 Units	648.00	Brick Mixing	2010-11
11	Canteen Kitchen	20.00	Brick Mixing	2010-12
12	Staff Quarters South Latrine	32.42	Brick Mixing	2010-12
13	Research & Development Center West Guard Room	15.42	Steel Structure	2010-12
14	New Office Building	7,793.25	Mixing	2012-09
15	WC	15.00	Steel Structure	2013-06
16	Guard Room	39.28	Brick Mixing	2013-06
17	Guard Room	20.27	Brick Mixing	2013-06

Number	Building Names	Building Area (m <sup>2</sup> )	Structure	Year of construction
18	A Warehouse	721.53	Steel Structure	2013-06
19	Coal Room	19.64	Brick Mixing	2013-06
20	Male Bath room	304.00	Brick Mixing	2013-06
21	Packaging Room	1,992.00	Steel Structure	2013-06
22	Steel Building	78.44	Steel Structure	2013-06
24	1 # Public Rental	3,734.97	Mixing	2013-12
25	Second-Stage Water Station Filter Press Colored Steel Room	30.00	Steel Structure	2014-05
26	Simple Finished Product Library	360.00	Steel Structure	2015-12

**(3) Limits of the Evaluation Procedure**

None.

**(4) Valuation of the Incompleteness of the Valuation Data**

None.

**(5) Uncertainties Such as Outstanding Matters and Legal Disputes**

The matters involved are the litigations claims against the client for the amounts receivable, but the individual amount is insubstantial.

**(6) The Nature, Amount, and Relationship with the Subject of the Valuation Between the Guarantee, Lease, and Contingent Liabilities (Contingent Assets)**

- 1) On 18 February 2016, Wason Copper Foil and Dingtai Leveraged Leasing Co., Ltd. signed the "Leveraged Leasing Contract": the financing lease principal is 400 million yuan, with a lease period of 29 February 2016 to 18 February 2023. At the same time, the Ding Tai Leveraged Leasing Co., Ltd. will be subject to leveraged leasing under a China Import-Export Bank mortgage; the mortgage registration number is Jin Bin Movables Mortgage Registration (2016) No. 0034.

On 19 February 2016, Wason Copper Foil shareholder Lingbao Gold Group Co., Ltd. signed contract number 212004992016110224, "Leveraged Leasing Contract," with Dingtai Leveraged Leasing Co., Ltd. for the formation of a financing lease with rent receivable for rent factoring business. For this, Lingbao Gold Group Co., Ltd. and the China Import-Export Bank signed an equity pledge contract, with the contract number 2120004992016110224ZY01, with its holding company Lingbao Wason Copper Foil Co., Ltd. Making a 100% stake pledge to the China Import-Export Bank, and Lingbao Wason Copper Foil Co., Ltd. shall pay the guarantee for the rental debt to Dingtai Leveraged Leasing Co., Ltd. for a pledge period of 84 months.

- 2) On 10 August 2016, Wason Copper Foil and Industrial Bank Zhengzhou Branch signed the "Industrial Bank precious metal lease contract," leasing non-ferrous AV99.9 Shanghai Gold Exchange Standard gold in the amount of 194 kg, with a lease period from 15 August 2016 to 15 August 2017, with annual interest rate of 3.2%.

**(7) Other Matters**

None.

**(8) Important Notes**

On 25 May 2017, the Wason Copper Foil Shareholders' Meeting decided to allocate the accumulated undistributed profit of RMB261,420,999.06 to the shareholders as of 31 December 2016. We remind the users of the report to pay attention to the matter.

**(9) A Flaw in the Economic Performance of the Asset Valuation That May Have a Significant Impact on the Evaluation Results**

None.

*The users of the valuation report should pay attention to the impact of the above-mentioned "Important Notes" on the Conclusion of the Valuation.*

## XII. DISCUSSION OF LIMITATIONS ON USE OF THE VALUATION REPORT

- (1) The valuation report and its valuation conclusion are to be used only for the valuation as set out in this valuation report and must be submitted to the assets evaluation agency for examination and filing, and if void if used for any other purpose.
- (2) The valuation report and its valuation conclusion are only to be legally used by the principal and other audience of the report identified in this valuation report during the effective term of the valuation report; No other third party shall use or rely on this report; this company does not assume any liability for

any corporate or individual improper use of this valuation report and the consequences of its conclusion of the valuation.

- (3) The usage rights of this valuation report are owned by the principal; All or part of this valuation report may only be extracted, quoted or disclosed in the public media with the valuing organization's written consent following its review of the related content, with exception to legally or regulatory matters that shall be agreed upon separately.
- (4) The usage term of this valuation report and the conclusion of the valuation shall be valid for one year from the valuation base date as calculated from the date of valuation; If the purpose of the valuation is to be achieved within one year after the valuation base date, the results can be used as the reserve price or the price basis (but is necessary it be adjusted for the postponement of the valuation date); for a date after more than one year, a new valuation is necessary. If the asset quality and quantity change, it should be adjusted according to the original valuation approaches; if the asset price standard changes or has a significant impact on the conclusion of the valuation, the principle should promptly hire the valuing organization to revalue it.

### XIII. VALUATION REPORT DATE

The valuation report date for this valuation is 20 June 2017.

Kaiyuan Assets Appraisal Co., Ltd.  
PRC Asset Appraiser: Lin Jiwei

Legal Representative: Hu Jinwei  
PRC Asset Appraiser: Ren Yuan

*The following is the text of a report received from the Company's auditor, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this circular.*



**REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF LINGBAO WASON COPPER-FOIL COMPANY LIMITED**

**TO THE BOARD OF DIRECTORS OF LINGBAO GOLD GROUP COMPANY LTD.**

We refer to the discounted future cash flows on which the business valuation ("the Valuation") dated 20 June 2017 prepared by Carea Assets Appraisal Co., Ltd. in respect of the appraisal of the fair value of the entire equity interest of Lingbao Wason Copper-Foil Company Limited ("the Target Company") as at 31 December 2016 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

**Directors' Responsibilities**

The directors of Lingbao Gold Group Company Ltd. (the "Directors") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



**Auditor's Responsibilities**

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

**Basis of opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

**Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

**KPMG**

*Certified Public Accountants*

Hong Kong

7 July 2017

*The following is the text of a report received from the Company's financial adviser, REORIENT Financial Markets Limited, for inclusion in this circular.*



云 锋 金 融

Suites 3201-3204  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

7 July 2017

**The Board of Directors**

Lingbao Gold Group Company Ltd.

Dear Sirs,

We refer to the valuation (the "Valuation") dated 20 June 2017 has been prepared by Carea Assets Appraisal Co., Ltd (the "Independent Valuer") in respect of the appraisal of the market value of Lingbao Wason Copper-Foil Co., Ltd. (the "Target Company") as at 31 December 2016 using income approach by discounting projected future free cash flows of the Target Company's business. This letter is issued in compliance with the requirement under Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

We have reviewed the underlying forecasts (the "Forecasts") of the Valuation, for which you as the directors of Lingbao Gold Group Company Ltd. (the "Company") are solely responsible. We have confirmed and discussed with the management of the Company and the Independent Valuer in respect of the bases and assumptions upon which the Forecasts have been made.

We have also considered the letter addressed solely to and for the sole benefit of the directors of the Company from KPMG (the "Auditor") dated 7 July 2017 regarding the calculations upon which the Forecasts have been made. We note that the Auditor has confirmed that it has performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted; and in its opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions.

We understand that the Forecasts have been made by the Company solely for the purpose of the Valuation. The Forecasts cover a long future period and are intrinsically not meant to be precise forecasts of future revenue, cost and profitability for any particular year/period during the forecast period but are meant to be read as a whole for valuation purposes only. The Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and some of which are materially formulated based on management judgements and beliefs. The Forecasts may not be appropriate for purposes other than for deriving at the Valuation. Even if the events anticipated under the

hypothetical assumptions occur, actual results are still likely to differ from the Forecasts since such anticipated events frequently may or may not occur as expected and the variation may be material.

We have not independently verified the computations leading to the Independent Valuer's determination of the market value of the Target Company. We have had no role or involvement and have not provided and will not provide any assessment of the market value of the Target Company and, accordingly, we take no responsibility and express no views therefor.

We do not have the management and industry expertise in the Target Company's business. We have discussed with the Company and the Independent Valuer regarding their bases of and reasons for those material assumptions and are relying on the Company's representations and confirmations on the validity of such management judgements and plans, and thus the assumptions of the Forecasts. The assessment, review and discussions carried out by us as described in this letter are based on financial, economic, market and other conditions in effect, and the information presented, explained and made available to us by the Company and the Independent Valuer, as of the date of this letter and we have, in arriving at our views, relied on information and materials supplied to us by the Company, the Independent Valuer and the Auditor and opinions expressed by, and representations of, the employees and/or management of the Company, the Independent Valuer and the Auditor. We have assumed, without independent verification, that all information, materials and representations so supplied, including all information, materials and representations made and provided to us by the Company, its officers, employees and/or the Independent Valuer, for which you as directors of the Company are responsible, were true, accurate, complete and not misleading at the time they were supplied or made and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations made and provided to us by the Company, its officers, employees and/or the Independent Valuer, and we have not assumed any responsibility or liability therefor. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our assessment and review.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation method, bases and assumptions selected by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied that the Forecasts, for which you as the directors of the Company are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,  
For and on behalf of  
**REORIENT Financial Markets Limited**  
**Allen Tze**  
*Managing Director*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2016, 2015 and 2014 are disclosed in the following documents which have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of <http://www.irasia.com/listco/hk/lingbao>:

- annual report of the Company for the year ended 31 December 2016 published on 28 April 2017 (pages 63–147)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0428/LTN20170428895.pdf>

- annual report of the Company for the year ended 31 December 2015 published on 21 April 2016 (pages 48–131)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0421/LTN20160421726.pdf>

- annual report of the Company for the year ended 31 December 2014 published on 16 April 2015 (pages 48–144)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0416/LTN20150416380.pdf>

## 2. INDEBTEDNESS STATEMENT

At the close of business on 30 June 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness as follows:

### **Borrowings**

The Group had outstanding borrowings of approximately RMB5,020 million. As at 30 June 2017, (a) bank loans of the Group amounting to RMB119 million were secured by a mining right of Istanbul Gold Mine, ordinary shares of Full Gold Mining Limited Liability Company and certain machinery and equipment and buildings; (b) bank loans of the Group amounting to RMB386 million were guaranteed by Lingbao State-owned Assets Operation Company Limited; (c) a loan from a leasing company amounting to RMB370 million was secured by certain machinery and equipment and equity interest in Lingbao Wason; and (d) a bank loan of the Group amounting to RMB105 million was secured by certain notes receivable.

### **Charges and mortgages**

The mining right of Istanbul Gold Mine, the ordinary shares of Full Gold Mining Limited Liability Company and certain machinery and equipment and buildings were pledged to secure bank loans of approximately RMB119 million.

Certain machinery and equipment and equity interests in Lingbao Wason were pledged to secure a loan from a leasing company of approximately RMB370 million.

Notes receivable amounting to RMB106 million were pledged to secure a bank loan of approximately RMB105 million.

#### **Debt Securities issued and outstanding**

None of the companies in the Group had any issued and/or outstanding debt securities.

#### **Contingent Liabilities or Guarantee**

None of the companies in the Group had material contingent liabilities or guarantee.

#### **Disclaimer**

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on the 30 June 2017 (being the latest practicable date for the purpose of this indebtedness statement).

### **3. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

In the second half of financial year 2017, the Company will be focusing on exploration work on various mines, speeding up the construction of major projects and put strict control on its cost to ensure the Company profitability. The Company will also ensure the production plants is operating at maximizing production volume for the products produced. After the Disposal, the Company will focus on mining and smelting as its main business but will also looks for potential new investment opportunities that may arise. The proceeds from the Disposal will surely provide more financial resources to the Company to help its future development of its business.

### **4. MATERIAL ADVERSE CHANGE**

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

**5. WORKING CAPITAL STATEMENT**

The Directors are of the opinion that in the absence of unforeseen circumstances and taking into account the effect of the entering into of the Equity Transfer Agreement, the available credit facilities, the Group's internally generated funds and the Group's existing bank and cash balances, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of this circular.

**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****Director's, chief executive's and Supervisor's interests in the Company**

As at the Latest Practicable Date, none of the Directors, chief executive or Supervisors and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or (ii) were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers in Appendix 10 of the Listing Rules.

As at the Latest Practicable Date, none of the Directors or Supervisors is a director or employee of a company which has, or is deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**Substantial Shareholders of the Company**

As at the Latest Practicable Date, so far as was known to the Directors, chief executive and Supervisors of the Company, the interests and short positions of the following persons (other than the Directors, chief executive or Supervisors of the Company) in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying



rights to vote in all circumstances at general meeting of any other members of the Group, or had any option in respect of such capital are set out below:

Name of shareholder	Nature of interest/capacity	Number of Domestic Shares	Approximate percentage of the total issued domestic share capital of the Company	Approximate percentage of the total issued share capital of the Company
D&R Asset Management Group Company Limited	Beneficial owner	185,339,000 (L)	39.19%	24.06%
Lingbao State-owned Assets Operation Company Limited (靈寶市國有資產經營有限責任公司)	Beneficial Owner	73,540,620 (L)	15.55%	9.55%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	Beneficial Owner	57,000,000 (L)	12.05%	7.40%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, chief executive and Supervisors of the Company, no other person (other than the Directors, chief executive or Supervisors of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

### 3. DIRECTORS AND SUPERVISORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director or Supervisor or proposed Director/Supervisor was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, chief executive or Supervisors of the Company and their respective associates had any interest in business which competes with or may compete, either directly or indirectly, with the business of the Group or had any other conflict of interests which any person has or may have with the Group.

**6. MATERIAL LITIGATION**

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL CONTRACTS**

Set out below are summary of the principal contents of the material contracts (not being contracts entered into in the ordinary course of business) entered into by any members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) A sale and purchase agreement dated 16 September 2015 and entered into between Lingbao Wason and 鼎泰融資租賃有限公司 (transliterated as Ding Tai Financial Leasing Co., Ltd) ("Ding Tai"), pursuant to which the Lingbao Wason agreed to sell and the Ding Tai agreed to buy various machinery and equipment, which are owned by Lingbao Wason (the "Machinery and Equipment") at the consideration of RMB400 million;
- (b) A finance lease agreement dated 16 September 2015 (the "Finance Lease Agreement") and entered into between Lingbao Wason and Ding Tai, pursuant to which Ding Tai shall lease back the Machinery and Equipment to Lingbao Wason for a lease payment, which is used to repay the principal of RMB400 million and the interest incurred thereon and is to be paid every six months for a term of seven (7) years;
- (c) A guarantee agreement dated 16 September 2015 and entered into between the Company and Ding Tai, pursuant to which (i) the Company provides a guarantee to Ding Tai for the performance of Lingbao Wason in relation to the Finance Lease Agreement and, (ii) the Company will charge all the shares the Company owns (i.e., 100%) in Lingbao Wason in favour of Ding Tai or any third party that is designated by Ding Tai; and

(d) The Equity Transfer Agreement.

## 8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
REORIENT Financial Markets Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
KPMG	Certified public accountants
Carea Assets Appraisal Co., Ltd.	Independent professional valuer

Each of REORIENT Financial Markets Limited, KPMG and the Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their letter, report and/or reference (as the case may be) references to its names in the form and context in which they appear.

As at the Latest Practicable Date, each of REORIENT Financial Markets Limited, KPMG and the Valuer had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, each of REORIENT Financial Markets Limited, KPMG and the Valuer had no interest, directly or indirectly, in any assets which had since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. GENERAL

- (a) The company secretary of the Company is Mr. Poon, Lawrence Chi Leung who is certified practising accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (c) The registered address of the Company is situated at Hangu Road and Jingshan Road Intersection, Lingbao, Henan Province, the PRC.
- (d) The principal place of business of the Company in Hong Kong is situated at Room 1902, 19th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong.
- (e) The valuation report in Appendix I(A) is prepared in Chinese. In case of inconsistency between the Chinese version and its English translation, the Chinese version shall prevail.
- (f) The English language text of this circular (except Appendix I(A)) shall prevail over the Chinese language text in case of inconsistency.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Room 1902, 19th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong up to and including 25 August 2017:

- (a) Articles of Association;
- (b) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (c) the written consents referred to in the paragraph headed “Qualification and Consent of Experts” in this appendix;
- (d) the valuation report for the entire equity interest of Lingbao Wason appraised by the Valuer;
- (e) report from KPMG and report from REORIENT Financial Markets Limited pursuant to Rule 14.62 of the Listing Rules regarding the valuation of Lingbao Wason;
- (f) the annual reports of the Company for the two years ended 31 December 2015 and 31 December 2016; and
- (g) this circular.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



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**Lingbao Gold Group Company Ltd.**

**靈寶黃金集團股份有限公司**

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

**(Stock code: 3330)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of Lingbao Gold Group Company Ltd. (“Company”) will be held at 3rd floor of the registered office of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the People’s Republic of China (“PRC”) on Tuesday, 26 September 2017 at 9:00 a.m. to consider and, if thought fit, passing the following resolution of the Company:

## **SPECIAL RESOLUTION**

**“THAT**

- (a) the equity transfer agreement dated 7 July 2017 (the “Equity Transfer Agreement”) entered into between the Company and 北京中鑫澤匯投資有限公司 (transliterated as Beijing Zhongxin Zehui Investment Company Limited) (the “Purchaser”), pursuant to which the Company shall sell and the Purchaser shall acquire 60% equity interest in 靈寶華鑫銅箔有限責任公司 (transliterated as Lingbao Wason Copper-Foil Company Ltd) (“Lingbao Wason”) at the consideration of RMB637,240,463.33 (a copy of the Equity Transfer Agreement having been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors (the “Directors”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Equity Transfer Agreement the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Equity Transfer Agreement) as are, in the opinion of the Directors or the

## NOTICE OF EXTRAORDINARY GENERAL MEETING

duly authorised committee, in the interest of the Company and its shareholders as a whole.”

By order of the Board  
**Lingbao Gold Group Company Ltd.**  
**Chen Jianzheng**  
*Chairman*

Henan, the PRC, 11 August 2017

*Notes:*

1. The register of members of the Company will be closed from Friday, 25 August 2017 to Tuesday, 26 September 2017 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company (for holders of domestic shares), no later than 4:30 p.m. on Thursday, 24 August 2017.
2. Holders of domestic shares and H shares whose names appear on the H share register of members of the Company at the close of business on Friday, 25 August 2017 are entitled to attend and vote at the EGM and may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.
3. In order to be valid, the proxy form must be deposited by hand or post, for holders of H shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the meeting or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
4. Shareholders or their proxies shall produce their identity documents when attending the meeting.
5. Shareholder who intends to attend the EGM should complete and return the reply slip and return it by hand or by post to the H share registrar of the Company (for holders of H shares) or to the registered office address of the Company (for holders of domestic shares) on or before Wednesday, 6 September 2017.
6. The registered office address and contact information of the Company are as follows:  
  
Hangu Road and Jingshan Road Intersection  
Lingbao  
Henan  
The People’s Republic of China  
Tel: 86 398 8862220  
Fax: 86 398 8860166
7. The EGM is expected to be held for less than half a day. Shareholders attending the EGM shall bear their own travelling and accommodation expenses.
8. As at the date of this notice, the board of Directors comprises five executive Directors, namely Mr. Chen Jianzheng, Mr. Wang Leo, Ms. Zhou Xing, Mr. Zhao Kun and Mr. Xing Jiangze; one non-executive Director, namely Mr. Shi Yuchen; and four independent non-executive Directors, namely Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua.