THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Lingbao Gold Group Company Ltd.**, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

LINGJIN
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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) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to Lingbao Gold Group Company Ltd.

SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to Lingbao Gold Group Company Ltd.

ANGLO CHINESE CORPORATE FINANCE, LIMITED 英高

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, 16 October 2018 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.

31 August 2018

CONTENTS

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

"Announcement"	the announcement of the Company dated 12 August 2018 relating to, among others, the Equity Transfer Agreement and the transactions contemplated thereunder;
"Board"	the board of Directors;
"Chief Executive"	chief executive of the Company;
"Company"	Lingbao Gold Group Company Ltd., a joint stock company incorporated in the PRC, the shares of which are listed on the Stock Exchange;
"Completion"	completion of the Disposal;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	a total consideration of RMB2,558,196,780 payable by the Purchaser to the Company in respect of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement;
"D&R"	D&R Asset Management Group Company Limited;
"Directors"	directors of the Company;
"Disposal"	the disposal of 100% equity interest in Lingbao Wason by the Company pursuant to the terms and conditions in the Equity Transfer Agreement;
"EGM"	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder;
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Company and the Purchaser on 12 August 2018 in relation to the Disposal;
"Full Gold"	Full Gold Mining Limited Liability Company, a 82%-owned subsidiary of the Company;
"Group"	the Company and its subsidiaries;

"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	the independent board committee comprising all the independent non-executive Directors, namely Mr. Yang Donsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua, established to advise the Independent Shareholders in respect of the Disposal;
"Independent Financial Adviser"	Anglo Chinese Corporate Finance, Limited (英高財務顧問有限公司), a corporation licensed to carry on 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, and the independent financial adviser to the Independent Board Committee in respect of the Disposal;
"Independent Shareholder(s)"	shareholders other than Shareholders who have material interest in the Disposal;
"Latest Practicable Date"	29 August 2018, being the latest practicable date prior to the printing of this circular for ascertain certain information contained herein;
"Lingbao Wason"	靈寶華鑫銅箔有限責任公司 (Lingbao Wason Copper-Foil Company Ltd.*), a company established in the PRC with limited liability and is a wholly owned subsidiary of the Company as at the date of this circular;
"Lingbao Wason Group"	Lingbao Wason and its subsidiaries;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	Shenzhen Londian Electrics Co., Ltd. (深圳龍電電氣股份有限公司);
"Remaining Group"	the Company and its subsidiaries upon Completion;
"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)"	shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"Supervisors"	supervisors of the Company

* *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)

Executive Directors:
Chen Jianzheng
Xing Jiangze
Zhou Xing
Zhao Kun
Wang Leo

Non-executive Director:
Shi Yuchen

Independent non-executive Directors:
Yang Dongsheng
Han Qinchun
Wang Jiheng
Wang Guanghua

Registered Office:
Hangu Road and Jingshan Road
Intersection
Lingbao City
Henan Province
The PRC

Principal place of business:
Room 1902, 19th Floor
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

31 August 2018

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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 12 August 2018, 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 100% of the equity interest in Lingbao Wason at a Consideration of RMB2,558,196,780. 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; (b) a letter of recommendation from the Independent Board committee; (c) a letter of advice from the Independent Financial Adviser; (d) other information as required by the Listing Rules; and (e) the notice of EGM.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below.

Date: 12 August 2018

Parties:

Purchaser: Shenzhen Londian Electrics Co., Ltd. (深圳龍電電氣股份有限公司)

Vendor: the Company

Assets to be disposed of:

Lingbao Wason is a direct wholly-owned subsidiary of the Company, and 100% of the 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 100% of the equity interest in Lingbao Wason, which is held by the Company.

Consideration:

Pursuant to the Equity Transfer Agreement, the Consideration of RMB2,558,196,780 was determined after arm's length negotiations between the parties, which represented the higher of: (i) the price earnings multiple of 10 times of Lingbao Wason Group's net profit of approximately RMB255.8 million in 2017, extracted from the audited local statutory financial statements of Lingbao Wason Group for the financial year ended 31 December 2017; and (ii) the preliminary indication of valuation of RMB2,320 million as assessed by Cushman & Wakefield Limited ("**C&W**"), an independent valuer, in respect of 100% of the equity interest in Lingbao Wason as at 30 April 2018. The final valuation amount assessed by C&W is RMB2,340 million and it did not affect the decision of determining the Consideration. The full valuation report from C&W is included in Appendix IV to this circular.

In addition, when determining the Consideration, the parties have taken into account: (i) the financial performance and financial position of Lingbao Wason Group for the financial year ended 31 December 2017 (including, among others, its net assets attributable to the Group of approximately RMB949.0 million as at 31 December 2017); and (ii) the general market environment in the PRC copper processing industry.

Payment arrangement:

The Consideration is to be settled as follows:

(i) Within 3 business days of the execution of the Equity Transfer Agreement, the Purchaser shall pay RMB20,000,000, being the deposit (the "**Deposit**"), to an account designated by the Company (the "**Company Account**").

(ii) Within 5 business days of the date of the EGM (if the Disposal is approved by the Independent Shareholders at the EGM), the Purchaser shall pay RMB350,000,000 (the "**Initial Payment**") to the Company Account. As 100% of the equity interest in Lingbao Wason has been pledged by the Company to the Export-Import Bank of China, the Initial Payment shall only be used to release the pledge over such equity interest in Lingbao Wason. Within 10 to 30 business days following the receipt of the Initial Payment by the Company, the Company shall complete the release of such pledge, unless otherwise agreed in writing by the Purchaser and the Company.

(iii) From the date of completion of the release of the pledge of equity interest in Lingbao Wason, the Company and Lingbao Wason shall file the application for registration with the Administration for Industry and Commerce (the "**AIC Registration**"). Upon completion of the AIC Registration, the registered owner of 100% of the equity interest in Lingbao Wason will be the Purchaser. Within 10 business days after the date on which the process of application has been initiated, the second payment (the "**Second Payment**") shall be paid to an independent escrow account (the "**Escrow Account**"). On the date of completion of the AIC Registration, the Second Payment will be transferred to the Company Account. The Second Payment shall be calculated as follows:

    The Second Payment = Consideration * 60% – the Deposit – the Initial Payment

(iv) Within 10 business days upon completion of the AIC Registration, the Purchaser shall pay the remaining balance of the Consideration, being 40% of the Consideration (the "**Balance**"), into the Escrow Account. Within 2 to 4 months following completion of the AIC Registration, the receivables and payables and any guarantees between the Company and Lingbao Wason as of 30 April 2018 (set forth in the schedule 1 of the Equity Transfer Agreement) shall either be: (i) settled, or (ii) otherwise dealt with in an appropriate manner. The Company and the Purchaser shall confirm in writing once such receivables and payables and guarantees set forth in schedule 1 of the Equity Transfer Agreement are so settled or otherwise dealt with. Within 5 business days following the issuance of such written confirmation by the Purchaser, the Balance shall be transferred from the Escrow Account to the Company Account.

(v) The Purchaser shall ensure that Lingbao Wason will fulfill its obligation relating to the receivables and payables and any guarantees between the Company and Lingbao Wason set out in (iv) above.

In the event that the Company: (i) fails to convene the EGM within 60 days from the issuance of the notice convening the EGM; or (ii) fails to release the abovementioned pledge within 30 business days following the receipt of the Initial Payment by the Company, the Company shall refund all payments made by the Purchaser within two business days after such failure, and shall compensate the Purchaser for direct losses caused by the above matters, unless the Purchaser agrees to an extension of the abovementioned deadlines.

Arrangements during the transition period:

The transition period shall mean the period starting from the date of the execution of the Equity Transfer Agreement and ending on the date on which the receivables and payables and any guarantees between the Company and Lingbao Wason as of the completion date of the AIC Registration have been settled. During the transition period, among others: (i) the profit or loss recorded by Lingbao Wason incurred during the transition period (including accumulative undistributed profits and capital reserves) shall be enjoyed or borne by the Company; (ii) Lingbao Wason shall be under the management of the Company; and (iii) the Company shall notify the Purchaser of any material event of Lingbao Wason.

Conditions precedent and completion:

Completion of the Disposal is subject to the condition precedent of approval by the Independent Shareholders at the EGM being fulfilled. In addition, any permit, approval or no objection of the relevant regulatory authority(ies) required in respect of the entering into of the Equity Transfer Agreement by the Company must have been obtained by the Company prior to the signing of the Equity Transfer Agreement, and the internal approval of the Purchaser and Lingbao Wason Group in respect of the Disposal shall be also required.

If the Disposal is approved by the Independent Shareholders at the EGM and carried out as planned, the Disposal will be completed after the Purchaser pays the Balance.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability, and is mainly engaged in manufacturing electrical equipment and energy equipment.

As at the Latest Practicable Date, the controlling shareholder of the Purchaser was Shenzhen Huaxinding Financial Service Co., Ltd., which held 83,260,000 shares or approximately 41.5% of the equity interest of the Purchaser.

The Purchaser is an enterprise indirectly controlled by D&R. The ultimate controlling shareholder of D&R is Mr. Wang Weidong. Mr. Wang Weidong does not wholly own D&R and D&R does not directly participate in the daily operation of the Company. None of the Purchaser, its connected persons and close associates has any relationship with any of the nine subscribers (as referred in the Company's announcement dated 4 January 2018) and Everlasting Education Centre Pte Ltd (as referred in the Company's announcement dated 15 February 2018). None of D&R, its connected persons and close associates has any relationship with Lingbao State-owned Assets Operation Company Limited, another shareholder of the Company.

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 LINGBAO WASON

Lingbao Wason is a company incorporated in the PRC with a registered capital of RMB680 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 three years ended 31 December 2015, 2016 and 2017:

	As at 31 December 2015 (audited) *RMB'000*	**As at 31 December 2016** (audited) *RMB'000*	**As at 31 December 2017** (audited) *RMB'000*
Total Assets	1,604,521	1,791,968	2,481,511
Net Assets (including non-controlling interests)	340,445	449,789	1,194,188

	For the year ended 31 December 2015 (audited) *RMB'000*	**For the year ended 31 December 2016** (audited) *RMB'000*	**For the year ended 31 December 2017** (audited) *RMB'000*
Profit before taxation	43,898	126,890	298,603
Profit after taxation	38,532	109,344	255,820

The consolidated financial information extracted from the audited local statutory financial statements of Lingbao Wason Group for the three years ended 31 December 2015, 2016 and 2017 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

As disclosed in the section above headed "Equity Transfer Agreement — Payment Arrangement", 100% of the equity interest in Lingbao Wason has been pledged by the Company to the Export-Import Bank of China, for the purpose of the Company securing a long-term finance lease facility of RMB400 million, for a period of approximately seven years from 29 February 2016 to 18 February 2023.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will no longer have any equity interest in Lingbao Wason and all members of the Lingbao Wason Group will cease to be subsidiaries of the Group. The financial results of Lingbao Wason Group will no longer be consolidated into the consolidated financial statements of the Group after the Completion.

It is estimated that the Group will record a gain before tax of approximately RMB1,816.0 million as a result of the Disposal, as if the Disposal had taken place on 31 December 2017. Such gain represents the sum of (a) the Consideration to be received by the Group of approximately RMB2,558.2 million and (b) the amount of retained profits of Lingbao Wason Group attributable to the Group of approximately RMB210.9 million as at 31 December 2017, less (i) the carrying value of the net assets of Lingbao Wason Group attributable to the Group of approximately RMB949.0 million as at 31 December 2017, and (ii) the estimated transaction costs directly related to the Disposal of approximately RMB4.1 million. For illustration purposes and with reference to the unaudited pro forma financial information of the Remaining Group set out in Appendix III to this circular, it is estimated that, as if the Disposal has been completed on 31 December 2017, the total assets and total liabilities of the Group are expected to increase by approximately RMB558.6 million and decrease by approximately RMB829.5 million respectively.

However, the amount of retained profits of Lingbao Wason Group attributable to the Group and the carrying value of the net assets of Lingbao Wason Group attributable to the Group as at the date of Completion may be different from those as at 31 December 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 December 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

The Board is of the opinion that after the Disposal, the Company's value, especially its net asset value, would increase significantly and the Disposal would help the Company to (1) reduce the Company's debt scale and gearing ratio; (2) further meet the capital needs of the Company's existing business for environmental protection, technological upgrade and exploration; and (3) further supplement the Company's working capital so that more focus could be placed on the mining and smelting segments as the Group's principal businesses. The Company aims to focus on the strategic expansion of the gold industry and implement business model innovations, so as to promote transformation and upgrade of its industrial structure.

The business models, staff structure and management requirements of the copper processing business segment are different from those of the Group's principal businesses of gold mining and smelting. In light of the differences, the Disposal will help the Group focus on the gold industry, streamline the decision making processes and better align the corporate cultures within the Group.

Based on the audited financial statements of the Group as at 31 December 2017, the Group had outstanding bank and other borrowings of approximately RMB4,893 million as at 31 December 2017, representing approximately 3.5 times of the net assets of the Group of approximately RMB1,383 million. Approximately RMB3,381 million out of the above total outstanding bank and other borrowings of the Group as at 31 December 2017 is repayable within one year. During the six months ended 30 June 2018, approximately RMB1,801 million out of the abovementioned outstanding bank and other borrowings that were payable within one year has been repaid, among which: (i) approximately RMB918 million has been repaid by using internal resources of the Group and subsequently obtaining a new bank loan with the same principal amount from the same bank; and (ii) approximately RMB883 million has been repaid through refinancing by new bank borrowings from other banks. The remaining balance of RMB1,580 million is intended to be financed by: (i) the Disposal proceeds of RMB1,500 million as set out in the section headed "Use of Proceeds and Future Plans for the Remaining Business"; and (ii) the Group's existing unutilised banking facilities. In addition, the Company has been actively liaising with banks to re-finance certain of the abovementioned borrowings before they fall due. Despite the modest improvements in the Group's gearing ratio in the past 3 years, the risk of the above level of indebtedness compared to the Group's net assets is still considered high, especially in light of the credit tightening environment and the general trend of deleveraging to reduce the financial risk of companies in the PRC. The Board considers such high level of indebtedness would hinder the Group's future financing capabilities for business development and risk resistance in the long term.

Against the above backdrop, the Group has been active in fund raising exercises for additional liquidity. These include, for example, proposed issuances of new H Shares and domestic Shares, and entering into of finance lease arrangement with an independent third party. In addition, the Company had previously attempted to dispose of the 60% equity interest in Lingbao Wason held by it to a third party (the "**Previous Proposal**", as detailed in the circular of the Company dated 11 August 2017). At the subsequent extraordinary general meeting of the Company held on 26 September 2017, however, the relevant resolution was voted down by the Shareholders. Subsequently, the Company made a capital injection totalling RMB500 million to Lingbao Wason on 27 September 2017 and 9 October 2017, to shore up its financial position.

In addition, the Company approached a professional agency on an informal and strictly confidential basis during the period from January 2018 to March 2018 to seek opportunity of selling its copper foil business. However, no potential buyer has been able to offer to pay a consideration to the satisfaction of the Company. For instance: (1) potential buyers required a valuation adjustment arrangement in respect of the business results, the term of which shall not be less than three years; (2) potential buyers were unwilling to only use cash as consideration, and they could only offer shares as consideration (involving no cash whatsoever) or to pay substantially all of the consideration in the form of shares (and the remaining very small portion thereof in cash) in respect of the transaction; (3) the consideration offered, which was not assessed by a professional valuer, was relatively low; and (4) the pledge over the equity interests in Lingbao Wason with banks was required to be discharged prior to the transaction.

The Board has considered all possible fund raising means and considers that the Disposal is the best option because it is the only option that can greatly reduce the Group's gearing ratio without causing dilution to its existing Shareholders.

While the Company recognises the profitability of Lingbao Wason Group, the Company considers reducing its high level of indebtedness takes priority. Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire the entire equity interest of Lingbao Wason at a consideration of approximately RMB2,558 million. As stated above, the Company considers its gold mining and smelting segments as its principal businesses, while the copper processing business is considered to be of relatively lower significance. Further, the Board is of the view that the terms of the Disposal are more favourable to the Company compared to those under the Previous Proposal. In particular, the Consideration payable under the Disposal would enable the Group to record a higher gain before tax and would bring about a substantially larger amount of net proceeds, which could be applied to reduce the Company's debt scale and gearing ratio by a much more meaningful extent, to inject capital into its existing business and to further supplement its working capital, as set out in detail below, and hence enabling the Group's financial health to be restored. As such, the Board having considered the reasons and merits of the Disposal above, has decided to enter into the Equity Transfer Agreement to dispose of its entire equity interest in Lingbao Wason, considers that the Disposal is in the interest of the Company and the Shareholders as a whole and is optimistic that the Disposal can gain the support of the Independent Shareholders this time.

The Directors (including the independent non-executive Directors) are of the opinion that the Equity Transfer Agreement is on normal commercial terms, and that the terms and conditions thereof are fair and reasonable, are in line with the overall development strategies and are in the interest of the Company and its shareholders as a whole, though the transaction under the Equity Transfer Agreement is not conducted in the ordinary and usual course of business of the Company.

USE OF PROCEEDS AND FUTURE PLANS FOR THE REMAINING BUSINESS

Overview of the use of proceeds

The Board intends to apply the net proceeds from the Disposal of approximately RMB2,554 million to implement the following plans which aim to address and turn around the loss-making situation of the Remaining Group as follows:

(A) Repayment of outstanding indebtedness

Approximately RMB1,500 million would be used to repay the Remaining Group's outstanding indebtedness, in order to lower the gearing ratio and thereby enhancing the capital structure of the Remaining Group. The Board also considers the repayment of outstanding indebtedness would also significantly reduce the relevant finance and other costs currently recognised in the Group's profit or loss statements.

(B) Capital and research expenditure relating to the existing business

Approximately RMB408 million would be applied to: (i) improve the production efficiency of the Remaining Group's existing mining and smelting businesses (the "**Remaining Business**"), in particular replacing aging equipment and facilities on the production and mining sites; and (ii) conduct certain technological upgrades and upgrades to environmental protection equipment.

(C) General working capital

Approximately RMB646 million would be used as general working capital, for the purpose of conducting the existing businesses of the Remaining Group.

Detailed breakdown of use of proceeds and future plans for the Remaining Business

Smelting business

(A) Current status

(i) For the year 2015 when the Group's smelting business was operating at full capacity, the daily processing capacity and segmental revenue were approximately 1,096 tonnes of gold concentrates and RMB5,200 million respectively.

(ii) Since 2015, there have been (1) insufficient general working capital for the purchase of raw materials due to, among others, rising raw material costs, increasing finance costs as a result of currency policies of financial institutions, and the Group's continuous losses in 2015 and 2016; and (2) suspension of smelting production plant for about three months in 2017 due to result of environmental issues such as heavy pollution in the nearby rivers.

(iii) As a result of the reasons set out in (ii) above, the daily processing capacity levels in 2016 and 2017 dropped to 953 tonnes and 919 tonnes of gold concentrates respectively.

(iv) Due to the abovementioned drop in production output levels, the revenues for smelting business in 2016 and 2017 dropped correspondingly to RMB5,094 million and RMB4,063 million respectively.

(B) Capital and research expenditure

A total of RMB79.20 million from the net proceeds of the Disposal will be used as capital and research expenditure for the smelting business to be allocated as follows:

(i) Research and development related to environmental protection

To enhance the pollutant treatment capability of the Group and reduce the chance of any further interruption of the smelting production, a capital injection of RMB25.50 million will be applied for the facility improvement for environmental protection and research and development in the following areas:

1. approximately RMB12 million will be spent on red slag hazard-free treatment and red slag recycling, which are expected to enhance the Group's capability to treat and transform hazardous wastes such as red slag. As at the Latest Practicable Date, this project has already been completed and is currently undergoing pilot tests. Once the project has been completed, it can provide treatment of 1,100 tonnes of red slag per day, fulfilling the environmental needs in conducting hazard-free treatment of red slag and other hazardous wastes generated in the gold production process; and

2. approximately RMB13.5 million will be spent on desalting of cyanogen-bearing wastewater and dechlorination of acid wastewater, which are expected to improve the quality of water recycled in the gold production process, ensuring the smooth operation of the production.

(ii) Other capital and research expenditure

In addition, the Group will also invest a total amount of RMB53.7 million in the Xinggui Tailing Dam project, rain and sewage diversion facilities, tailing dam treatment and other capital expenditure and research projects.

(C) General working capital

Approximately RMB600 million from the Disposal proceeds is intended to be used for the following purposes:

1. approximately RMB450 million for the procurement of gold concentrates for smelting operation, out of which:

   (a) approximately RMB300 million for procurement from domestic suppliers;

   (b) approximately RMB150 million for procurement from international suppliers; and

2. approximately RMB150 million for the procurement of compound gold for refinery operation.

The above working capital is calculated on the following basis:

Based on the actual production data in 2015, the daily processing quantity of the Group's smelting facilities is approximately 1,090 tonnes of gold concentrates, which translates to an annual processing quantity of close to 400,000 tonnes.

A normal production and sale cycle, including the sale receipt by the end of the cycle, would be approximately 39 days, therefore the amount of input of gold concentrates required to reach maximum production capacity is approximately 42,500 tonnes per cycle (i.e. 1,090 tons x 39 days). As of 30 April 2018, the inventory of gold concentrates of the smelting business was only approximately 19,000 tonnes. Therefore, a further input of 23,500 tonnes of gold concentrates would have to be procured to resume to the 2015 production capacity.

Based on the purchase price of gold concentrates in 2017 of approximately RMB12,500 per tonne, approximately RMB294 million (i.e. 23,500 tonnes x RMB12,500 per tonne) would be required as additional working capital to resume production capacity for the smelting operation to the 2015 level.

Hence, the proposed use of RMB450 million from the Disposal proceeds as working capital for the smelting segment would be sufficient to cover the additional working capital needs in order to resume production capacity to the 2015 level and any further funding needs in case of market price fluctuations and other unanticipated change in circumstances.

(D) Estimated production volume and sales for 2019

On the assumption that all smelting facilities of the Group are operating in full capacity as per the production level in 2015, the input of RMB450 million of working capital (which is sufficient to purchase the additional 23,500 tonnes of gold concentrates, which together with the existing inventory of 19,000 tonnes of gold concentrates would add up to a total of 42,500 tonnes) is estimated to be able to produce volumes of products and generate sales as follows:

Product	Estimated production volume for the year 2019	Conversion rate (content per tonne) (with reference to the historical average rates of the past three years)	Estimated sales price	Estimated sales amount in 2019 (Conversion rate x estimated sales price x 42,500 tonnes x 9.23 cycles)
Gold	20,000kg	51g	RMB278.6/g	RMB5,572.0m
Silver	41,500kg	106g	RMB3.2/g	RMB132.8m
Electrolysed copper	16,005 tonnes	40.8kg	RMB42/kg	RMB672.2m
Sulphuric acid	184,000 tonnes	469kg	RMB0.05/kg	RMB9.2m

PRC mining business

(A) Current status

(i) For the year 2015 when the Group's PRC mining business was operating at full capacity:

1. the production output were 1,851 kg of gold concentrates and 1,216 kg of compound gold respectively; and

2. the revenue was RMB676 million.

(ii) Since 2015, the Group's mining business has been facing a number of problems which arose primarily because of lack of capital input, including:

1. Inadequate mine exploration capability, resulting in decline in quality and quantity of the ore output;

2. Suspension of operation of Tongbai Xingyuan Mining Company Limited from October 2017 to April 2018 due to failure to renew production safety permit;

3. Failure to resolve or rectify certain technical issues in the transport and processing stages; and

4. Obsolete environmental and safety equipment that failed to comply with the PRC regulatory requirements, which have become more stringent in recent years, leading to production suspension from time to time.

(iii) As a result of the reasons set out in (ii) above, the production output of gold concentrates in 2016 and 2017 dropped to 1,599 kg and 1,250 kg respectively. Meanwhile, the production output of compound gold increased to 1,153 kg in 2016 but dropped to 1,033 kg in 2017.

(iv) Despite the general drop in production output levels, because of the increase in the prevailing sales price of gold, the revenues for the PRC mining business in 2016 and 2017 increased to RMB705 million but decreased to RMB638 million respectively.

(B) Capital and research expenditure

To ensure that the Group can meet the requirements of various safety and environmental protection standards and hence guarantee the continuous production of the Group, as well as to increase the Group's resource reserve, which will enhance the downhole productivity and ore processing capacity and in turn increase gold productivity and annual sales, totals of RMB271.75 million and RMB14.92 million are proposed to be spent on (i) capital expenditure; and (ii) research and development respectively for the PRC mining business.

(i) Capital expenditure

The abovementioned RMB271.75 million comprises capital expenditure for the five major PRC mining companies as well as RMB2.35 million capital expenditure for the other non-major PRC mining companies in the Remaining Group for downhole production and construction. Breakdown of the proposed use of the capital expenditure for each mining process of the five major PRC mining companies in the Remaining Group is set out as follows:

Name of the company	**Production phase**	**Purpose**	**Amount**
Habahe Huatai Gold Company Limited ("**Huatai Company**")	Exploration	Expansion and extension of the production and operation tunnel to form new mining sites to increase gold mine reserves	RMB10.37 million
	Transport	Construction of vertical shaft infrastructure to enhance mining escalation capability	RMB1.17 million
	Processing	Technological improvement and expansion of processing plant to further enhance production capacity	RMB44 million
	Other projects	Purchase of new equipment, enlargement of tailing and transformer substation, mining rights extension and application fee and installation of six systems to ensure operation maintains at normal levels	RMB24.08 million

Name of the company	Production phase	Purpose	Amount
Tongbai Xingyuan Mining Company Limited ("**Xingyuan Company**")	Exploration	Deep drilling exploration of minerals and new tunnel construction to enhance downhole transport capability	RMB76.1 million
	Transport	Continuation of construction of shaft to enhance mining escalation capability	RMB17.61 million
	Other projects	Purchase of new equipment and mining digitalization installation	RMB6.3 million
Chifeng Jinchan Mining Company Limited ("**Jinchan Company**")	Exploration	Maintenance of production tunnel to facilitate smooth operation of exploration process	RMB450,000
	Transport	Expansion and construction of vertical shaft to enhance mining escalation capability	RMB13.41 million
	Other projects	Purchase of new equipment, construction of new dry tailing dam, replacement of component in transformer substation, mining digitalization installation	RMB10.76 million

Name of the company	Production phase	Purpose	Amount
Nanshan Branch of the Company ("**Nanshan Branch**")	Exploration	Construction of production tunnel to facilitate smooth operation of exploration process	RMB41.9 million
	Other projects	Purchase of new equipment, reformation of transformer substation and power supply, enlargement of dam, safety expenses, mining rights application and mining digitalization installation to cope with new production safety and environmental standards	RMB17.75 million
Lingbao Hongxin Mining Company Limited ("**Hongxin Company**")	Exploration	Construction of new mines in connection with increase in mine reserves for future sustainable production and operation	RMB5.50 million

(ii) Environmental protection and scientific research

A total of RMB14.92 million is proposed to be spent on environmental protection and scientific research, the breakdown of which is as follows:

Research project	Benefits
1. Structural Superimposed Halo Research and Deep Prediction Engineering Project of No. 101 Gold Deposit of Xiaoqinling Gold Field	To increase gold mine reserves
2. Ground Pressure Relationship between Open Pit Mining and Downhole Mining Activities in the Southern Mining Area	To guarantee safe and sustainable production

Research project	Benefits
3. Outlining and Recovery of Residual Ores	To enhance the utilisation rate of resources
4. Research on Mining Methods, Downhole Water Inrush of Northern Mining Area	To enhance the utilisation rate of resources
5. Research on the Ore-forming Law of Laowan Gold Mineralizing Belt in Tongbai County, Henan Province	To increase gold mine reserves
6. Detailed Investigation on the "Deep Vacant Area within the Scope of Mining Right" in Laowan Gold Mineralizing Belt in Tongbai County, Henan Province, Ore Mining	To increase gold mine reserves
7. Supporting, Mineral Processing Technology	To effectively enhance the utilisation rate of resources
8. Tailings reprocessing technology reconstruction project of No. 1 Qiangma Processing Plant, Nanshan Branch	To tackle the issue of utilization of mineral processing tailings and reduce wastage of resources

(C) General working capital

As mentioned above, approximately RMB46 million of the net proceeds from the Disposal is intended to be used for (i) procurement of auxiliary materials and reagents, and (ii) payments for utilities and renewal of mine production permits.

(D) Estimated production volume and sales for 2019

(i) Based on the analysis in paragraphs (B) and (C) above, the current and expected production volume of gold that can be produced from their respective products of the PRC mining segment (i.e. gold concentrates and compound gold) of the Group's five major operating mines in the PRC are summarised as follows:

Mine	**Current normal production volume A** *(kg)*	**Estimated increase in production volume B** *(kg)*	**Expected production volume for the year 2019 C = A + B** *(kg)*
Nanshan	720	—	720
Xingyuan	700	300	1,000
Jinchan	280	70	350
Huatai	800	800	1,600
Hongxin	150	—	150
Total	2,650	1,170	3,820

(ii) It is expected that the total revenue derived from the PRC mining segment of the Remaining Business in 2019 would amount to a total of approximately RMB1,029.6 million (being the sum of RMB447.1 million from Huatai Company, RMB95.4 million from Xingyuan Company, RMB239.7 million from Jinchan Company, RMB208.5 million from Nanshan Company and RMB38.9 million from Hongxin Company).

(iii) It is estimated that in 2019, 100% of the output from the PRC mining segment, including gold concentrates, will be transferred to the smelting segment as input (as compared to the period from 2015 to 2017, when an average of approximately 86.52% of the output from the PRC mining segment was transferred to the smelting segment). Nonetheless, the increase in gold production volume of the PRC mining business is still expected to have a significant contribution to the Group's overall gross profit margins as it will lower the production costs of the smelting business, which is the principal source of revenue and profit of the Remaining Business.

Kyrgyzstan mining business

(A) Current Status

The financial performance of the Group has been substantially and adversely affected by the losses incurred by Full Gold, which operates mining business in Kyrgyzstan. The segment losses incurred by Full Gold amounted to approximately RMB41 million, RMB39 million and RMB78 million in 2015, 2016 and 2017 respectively. Being affected by the mining conditions and the state of core components for many years, high mining costs, serious depletion and low recovery rate from processing make it difficult for Full Gold to turn around.

In order to increase the production capacity and reduce the cost of Full Gold, the Company has adopted various measures including optimising the mining method, inviting well-known experts in the PRC to carry out processing experiments, reducing the number of staff and enhancing efficiency, but the results have not been satisfactory. The Group has also hired technical consultants to assess Full Gold's operations in March and April 2018 and to conduct feasibility studies on the technological transformation for the production efficiency of the processing plant, in order to increase the quantity and quality of gold concentrates produced, reduce mining costs and ultimately improve the profitability Full Gold's operations. As at the Latest Practicable Date, the feasibility studies are still in progress. If the result of the final report is not satisfactory, the Company will promptly take measures to dispose of the equity interests of Full Gold.

In addition, to ensure the healthy development of the Remaining Business, the Company has formed a task force in June 2018 to actively look for partners to explore new ways of operation or negotiate the transfer of equity in Full Gold, thereby reducing the impact of the loss of Full Gold to the overall profitability of the Remaining Business upon consolidation. The Company's management has been in touch with industry experts and consulting agencies for the purpose of the above. Upon the completion of the potential disposal of Full Gold's equity interests, it is expected that the financial results of the Remaining Business will no longer be adversely affected by Full Gold in the future.

Apart from the above, the Company does not have any intention, arrangement, agreement, understanding or negotiation for any scaling down, disposal or termination of the existing operating businesses of the Remaining Group.

LISTING RULES IMPLICATIONS

D&R is the single largest shareholder of the Company which owns approximately 32.69% of the total issued domestic share capital and 21.45% of the total issued share capital (including domestic Shares and H Shares) respectively as at the Latest Practicable Date. The Purchaser is indirectly controlled by D&R. Therefore, the Purchaser is a connected person of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a connected transaction and a very substantial disposal of the Company, and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement.

Anglo Chinese Corporate Finance, Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder.

None of the Directors has any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder and hence no other Director is required under the Listing Rules to abstain from voting on the resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder at the meeting of the Board.

EGM

A notice of the EGM to be held at the registered office of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC on Tuesday, 16 October 2018 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular, for the Shareholders to, among other things, 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 knowledge, information and belief of the Directors having made all reasonable enquiries, apart from D&R and its associates, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. Therefore, only D&R and its associates shall abstain from voting at the resolution(s) considering and approving the Equity Transfer Agreement and the transactions contemplated thereunder. Saved as disclosed above, no other Shareholder shall be required to abstain from voting at the resolution(s) considering and approving the Equity Transfer Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Equity Transfer Agreement and transactions contemplated thereunder are on normal commercial terms, and that the terms and conditions thereof are fair and reasonable, are in line with the overall development strategies and are in the interest of the Company and the Shareholders as a whole, though the transactions contemplated under the Equity Transfer Agreement is not conducted in the ordinary and usual course of business of the Company. Accordingly, the Directors (including the independent non-executive Directors) recommend you to vote in favour of the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder 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

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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)

31 August 2018

To the Independent Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY

We refer to the circular issued by the Company to its shareholders dated 31 August 2018 (the "**Circular**") of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement, details of which are set out in the letter from the Board contained in the Circular. Anglo Chinese Corporate Finance, Limited has been appointed as the independent financial adviser to advise the Independent Shareholders and us in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder. Details of the Independent Financial Adviser's advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 28 to 52 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Equity Transfer Agreement, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we consider the Equity Transfer Agreement and transactions contemplated thereunder are on normal commercial terms, and that the terms and conditions thereof are fair and reasonable, are in line with the overall development strategies and are in the interest of the Company and the Shareholders as a whole, though the transactions contemplated under the Equity Transfer Agreement is not conducted in the ordinary and usual course of business of the Company. We, therefore, recommend that you vote in favour of the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully
Independent Board Committee of
Lingbao Gold Group Company Ltd.
Yang Dongsheng
Han Qinchun
Wang Jiheng
Wang Guanghua
Independent non-executive Directors

The following is the text of the letter from Anglo Chinese to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of inclusion in this circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

To the Independent Board Committee
and the Independent Shareholders

31st August, 2018

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal contemplated under the Equity Transfer Agreement, details of which, amongst other things, are set out in the letter from the Board contained in the circular of the Company dated 31st August, 2018, of which this letter forms part. Terms defined in this circular shall have the same meanings when used in this letter unless the context requires otherwise.

Reference is made to the announcement of the Company dated 12th August, 2018. On 12th August 2018, 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 100% equity interest in Lingbao Wason for a Consideration of RMB2,558,196,780. Upon Completion, Lingbao Wason will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group. After the Disposal, the Group will be focus on gold mining, smelting and refining businesses.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company. As at the Latest Practicable Date, the Purchaser is controlled by D&R Asset Management Group Company Limited, a substantial shareholder of the Company, and hence a connected person of the Company pursuant to the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing rules and is subject to the reporting, announcement and

Independent Shareholders' approval requirements. An EGM will be convened to consider and, if thought fit, approve the Equity Transfer Agreement and the transaction contemplated thereunder.

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Disposal. We were appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard. We are not associated or connected with the Company, its directors, its controlling shareholder or any party acting, or presumed to be acting, in concert with any of them, and accordingly, we are considered eligible to give independent advice on the Disposal.

In formulating our opinion, we have relied on the information, statements, opinion and representations contained or referred to in this circular and all information and representations which have been provided by the Company and the Directors, including those contained or referred to in this circular and related announcements of the Company. We have reviewed (i) the Equity Transfer Agreement; (ii) the published information including the annual reports and announcements of the Company; (iii) the local statutory financial statements of Lingbao Wason; (iv) the financial data on the comparable listed companies of the Company and Lingbao Wason; (v) the valuation report prepared by C&W relating to the Disposal, as well as its expertise and independence; and (vi) industry reports and price data we considered relevant to the Disposal. We have also discussed with (i) the management of the Company on the business strategy and prospects of the Group, the financial difficulties and credit environment the Group faces, and the outlook of copper foil business in the PRC; and (ii) C&W regarding its valuation report regarding the Disposal on the valuation methodology and assumptions used in the report.

We have assumed that the information, facts, representations and opinions were true at the time provided or made and continue to be true at the date of this circular and will continue to be true at the date of the EGM. We have also assumed that all statements of belief, opinion and intention of the Company and the Directors were reasonably made after due and careful inquiry. We consider the information we have reviewed is sufficient to reach the conclusions set up in this letter and have no reason to doubt the truth, accuracy or completeness of the information provided to us, or the reasonableness of the opinions expressed by the Company and, or the Directors, and have been advised by the Directors that no material information has been omitted or withheld from the information supplied to us or the information relating to the Company or Lingbao Wason referred to in this circular. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs or the prospects of the Company, D&R Asset Management Group Company Limited, or any of their respective subsidiaries or associates.

PRINCIPLE FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion in respect of the Disposal, we have considered the following principal factors and reasons:

1. General information

1.1 Information of the Group

The Group is an integrated gold mining enterprise in the PRC principally engaged in gold mining, smelting and refining. After the Company acquired Lingbao Wason in 2008, copper processing business has become one business segment of the Group.

Tabularised below is a summary of the audited consolidated financial results of the Group and the Group's reportable segments for the five years ended 31st December, 2017 as extracted from the annual reports of the Company:

	For the year ended 31st December,				
	2013	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Revenue[(1)]	7,942,084	6,496,351	5,756,594	6,054,620	5,911,096
Mining — PRC	(55)	3,471	42,172	128,528	117,369
Mining — KR	0	0	0	26,055	44,771
Smelting	7,134,343	5,541,537	4,727,063	4,725,312	4,014,432
Copper processing	807,796	951,343	987,359	1,174,725	1,734,524
Segment profit/(loss)	(593,410)	299,699	82,349	338,156	444,852
Mining — PRC	3,122	128,473	47,101	35,429	24,970
Mining — KR	(74,515)	(58,956)	(41,387)	(39,097)	(78,043)
Smelting	(563,544)	152,791	19,548	189,612	146,142
Copper processing	41,527	77,391	57,087	152,212	351,783
Profit/(loss) from operations	(607,744)	298,436	(109,559)	152,478	357,954
Finance costs	(239,017)	(241,736)	(245,358)	(230,232)	(246,648)
Profit/(loss) before taxation	(846,761)	56,700	(354,917)	(77,754)	111,306
Profit/(loss) after taxation	(708,283)	17,258	(502,554)	(92,372)	50,638
Profit/(loss) attributable to equity holders	(673,365)	33,687	(462,162)	(77,456)	79,834
Net cash generated from operating activities/Finance costs	4.65x	0.74x	0.85x	3.74x	0.86x

	For the year ended 31st December,				
	2013	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Total Assets	6,723,546	7,139,623	7,508,139	7,489,783	7,946,667
Total Liabilities	5,047,343	5,446,108	6,335,659	6,438,179	6,563,305
Cash and cash equivalents	367,202	372,312	1,117,524	1,164,569	455,427
Bank and other borrowings(2)	3,792,152	4,190,919	5,130,495	5,073,509	4,893,411
Net assets attributable to equity holders	1,663,494	1,696,307	1,219,448	1,119,144	1,223,931
Net current assets/(liabilities)	117,442	116,235	(1,740,184)	(889,036)	(978,919)
Net debt(3)	3,377,395	3,659,661	3,891,629	3,750,666	3,563,026
Net debt/equity(4)	203%	216%	319%	335%	291%

Notes:

(1) Revenue from external customers after sales taxes and levies.

(2) Loan from shareholders or ultimate holding company were not included.

(3) Net debt was defined as bank and other borrowings less cash and cash equivalents and pledged deposits.

(4) Calculated by the net debt divided by net assets attributable to equity holders of the Company.

In the five years ended 31st December, 2017, the revenue of the Group was largely driven by its smelting segment, that contributed approximately 78% and 68% of the Group's revenue in 2016 and 2017 respectively, and higher before that. Lingbao Wason, the copper processing segment of the Group contributed an increased portion in revenue in 2016 and 2017, accounted for 19% and 29% respectively. For the year ended 31st December, 2017 the Group recorded a revenue of approximately RMB5,911 million, representing a decrease of approximately 2.4% compared with 2016. The decrease in revenue was mainly attributable to the insufficient level of working capital to purchase raw material and maintain higher utilisation rate of the existing production facilities in the smelting segment, due to the increasing pressure in financial liquidity the Company faced, and the suspension of smelting plant production for about three months in 2017. The decrease in revenue contributed by the smelting segment was partly offset by the increase in sales volume and average selling price of copper coils.

The smelting segment was also a major contributor to the operating performance of the Group in the five years ended 31st December, 2017. Lingbao Wason, the copper processing segment, contributed an increased portion in operating profits in 2016 and 2017, and the mining — KR segment, comprising the gold mining and mineral ores processing operations in the Kyrgyz Republic ("**KR**"), contributed substantial losses in each of the five years. The operating loss of the smelting segment in 2013 was mainly attributable to the sudden and significant drop in global gold price in 2013, to a level lower than the raw materials cost.

Combining these four segments and accounted for other profits and losses and head office and corporate expenses, the Group recorded fluctuated operating results in the five years ended 31st December, 2017. The financial costs were constantly above RMB230 million in each year of these five years and contributed to net loss before taxation in three years out of these five years.

As at 31st December, 2017, the Group had total assets of approximately RMB7,947 million and total liabilities of approximately RMB6,563 million, including bank and other borrowings of approximately RMB4,893 million, out of which approximately RMB3,381 million was repayable within one year. Since 2015, the bank and other borrowings of the Group increased to around RMB5 billion, and net debt to equity ratio to about 300%. The Group also recorded net current liabilities at each year end since 2015.

1.2 Information of Lingbao Wason

Lingbao Wason is a wholly-owned subsidiary of the Company incorporated in the PRC, principally engaged in the production and sale of copper foil and flexible copper clad laminate. Most of its revenue and profits are generated from copper foil products.

Tabularised below is a summary of the audited consolidated financial results of Lingbao Wason Group for the four years ended 31st December, 2017 and the management accounts for the year ended 31st December, 2013:

	For the year ended 31st December,				
	2013	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)*	(audited)	(audited)	(audited)	(audited)
Revenue	808,218	952,546	990,863	1,181,409	1,743,237
Profit before taxation	18,904	51,124	43,898	126,890	298,603
Profit after taxation	15,864	44,676	38,532	109,343	255,820
Profit attributable to equity holders	15,864	44,676	38,532	109,343	258,170

	As at 31st December,				
	2013	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)*	(audited)	(audited)	(audited)	(audited)
Cash and cash equivalents	66,428	143,280	122,326	313,390	401,379
Total assets	1,563,693	1,608,546	1,604,521	1,791,968	2,481,511
Total liabilities	1,306,032	1,306,632	1,264,076	1,342,179	1,287,323
Net assets attributable to equity holders	257,662	301,913	340,445	449,789	946,538

	For the year ended 31st December,				
	2013	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)*	(audited)	(audited)	(audited)	(audited)
Net cash generated from/(used in) operating activities	117,841	102,242	191,960	(61,986)	(275,383)
Net cash used in investing activities	(97,680)	(101,849)	(38,597)	(116,015)	(10,846)
Aggregate	20,161	393	153,363	(178,001)	(286,229)

* *In 2013, audit was performed at the company level of Lingbao Wason, but not at consolidated level.*

Lingbao Wason was acquired by the Group in a public auction on 19th March, 2008 at a consideration of RMB27,900,000 satisfied in cash. The aggregate amount of its assets and liabilities recognised at the acquisition date were approximately RMB244 million and RMB203 million respectively.

As at 31st December, 2017, Lingbao Wason had total assets of approximately RMB2,482 million and net assets attributable to equity holders of approximately RMB1,194 million, increased from approximately RMB1,792 million and RMB450 million as at 31st December, 2016, mainly due to the capital injection of RMB500 million by the Company in 2017 to improve its financial position.

For the year ended 31st December, 2017, Lingbao Wason recorded revenue of approximately RMB1,743 million and profit attributable to equity holders of approximately RMB258 million, representing increase of approximately 47.6% and 136.1% respectively compared with the revenue of approximately RMB1,181 million and profit attributable to equity holders of approximately RMB109 million recorded in 2016. Before that, Lingbao Wason had annual revenue of less than RMB1 billion and net assets attributable to equity holders below RMB50 million from 2013 to 2015.

While Lingbao Wason's revenue and profit attributable to equity holders grew substantially in 2016 and 2017, it recorded net cash outflow in operating activities in both years mainly due to the increase in working capital level. Taking into account of the capital investments requirements, the Group recorded the aggregate cash outflow in operating and investing activities of approximately RMB178 million and RMB286 million respectively in the year ended 31st December, 2016 and 2017.

1.3 Information of the Purchaser

Shenzhen Londian Electrics Co., Ltd. is a company incorporated in the PRC with limited liability, and is mainly engaged in manufacturing electrical equipment and energy equipment.

As at the Latest Practicable Date, the controlling shareholder of the Purchaser was Shenzhen Huaxinding Financial Service Co., Ltd., which held 83,260,000 shares or 41.5% equity interest of Shenzhen Londian Electrics Co., Ltd..

The Purchaser is indirectly controlled by D&R Asset Management Group Company Limited, which was a substantial shareholder that held 21.45% equity interest in the Company as at the Latest Practicable Date.

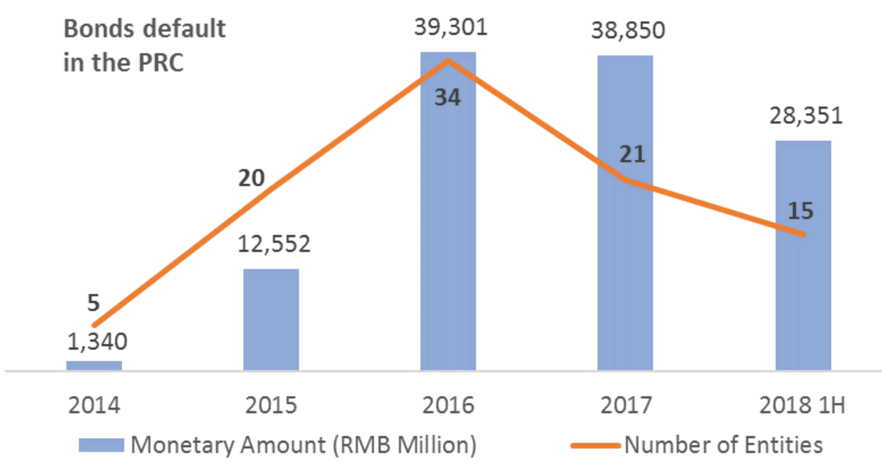
The ultimate controlling shareholder of D&R Asset Management Group Company Limited is Mr. Wang Weidong, who does not wholly own D&R Asset Management Group Company Limited.

2. Reasons for and benefits of the Disposal

2.1 Improvement of financial leverage and mitigation of interest burden

Credit environment in the PRC

PRC credit market has entered into a tightening cycle in recent years. According to Wind (萬得信息技術股份有限公司), a leading PRC financial market data provider whose data are frequently quoted and widely used in research reports and media coverage related to the PRC market, the PRC bond market recorded a rising number of credit default cases from 2014 to the first half 2018. Major commercial and policy banks have been tightening their credit policies and less credit worthy borrowers face increasing difficulties to secure new credit facility and renew existing ones.



Source of data: Wind

Indebtedness of the Group

To analyse the financial gearing level of the Group, we identified its comparable companies, and compared their net debt to equity ratio and net cash generated from operating activities to finance costs ratio with those of the Group. The Group is principally engaged in gold mining, smelting and refining. To identify its comparable companies, we have searched for companies that were also listed on the Stock Exchange and principally engaged in gold mining or smelting, whose gold mining and/or smelting business constituted the largest revenue contribution segment in the latest financial year. Eight companies were found and we consider the list exhaustive. Comparison results are tabularised below.

Company Name	Stock Code	Net debt/ equity (%)(1)	Net cash generated from operating activities/ Finance costs (times)(2)
Taung Gold International Limited	621	–7.0%	N/A
Munsun Capital Group Limited	1194	46.1%	0.94x
Hengxing Gold Holding Company Limited	2303	–1.7%	29.19x
Grand T G Gold Holdings Limited	8299	111.3%	6.96x
China Mining Resources Limited	340	–2.4%	0.29x
Zijin Mining Group Company Limited	2899	69.4%	4.85x
China Gold International Resources Corp. Ltd.	2099	76.2%	4.54x
Zhaojin Mining Industry Company Limited	1818	83.9%	2.47x
	High	111.3%	29.19x
	Low	–7.0%	0.29x
	Average	47.0%	7.03x
	Median	57.7%	4.54x
The Group		**291.1%**	**0.86x**
The Remaining Group(3)		**16.1%**	**2.67x**
The Remaining Group after repaying bank borrowing of RMB1,500 million(4)		**16.1%**	**4.24x**

Notes:

(1) As at 31st December, 2017 or other latest balance sheet date respectively, based on the latest published financial information in the annual report or interim report of the companies. For the calculation of net debt/equity ratio, please refer to note (3) and (4) in the section headed "1.1 Information of the Group".

(2) For the year ended 31st December, 2017 or the latest trailing twelve months respectively, based on the annual report and interim reports of the companies. N/A when net cash generated from operating activities was negative.

(3) Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular ("**Pro-forma Financial Information**").

(4) Based on the Pro-forma Financial Information and further reduced cash and bank borrowing balances by RMB1,500 million and finance costs by RMB74.081 million as estimated by the Company.

Net debt to equity is a commonly used financial gearing ratio that illustrates the overall borrowing level of a company compared to its equity, after deducting the cash on book. Net cash generated from operating activities to Finance costs is a commonly used interest coverage ratio that illustrates the cash generating capacity of a company from its operating activities compared with the financial costs it faces. We believe the comparison using these two ratios provides a useful and representative analysis of indebtedness of the Group.

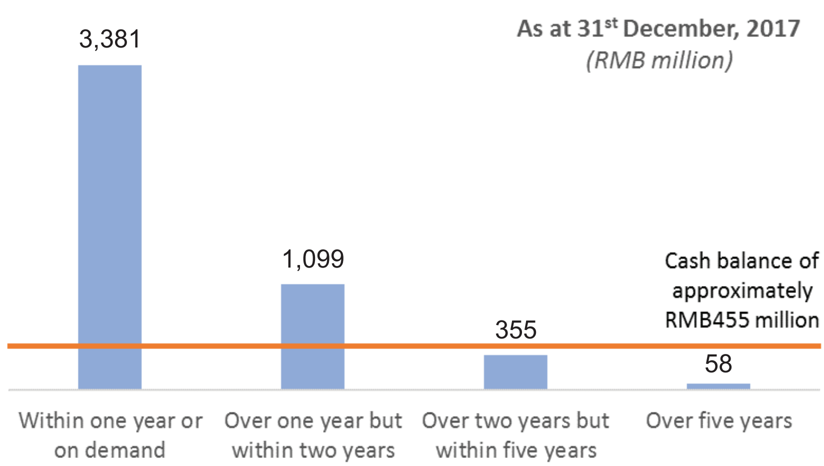
As at 31st December, 2017, the Group recorded net debt to equity ratio of approximately 291.1%, a level above the highest of its comparable peers. Based on the Pro-forma Financial Information and assuming that the Disposal had taken place on 31st December, 2017, such ratio of the Remaining Group is expected to reduce to approximately 16.1%, a level below the median of its comparable peers, representing a substantial improvement in term of financial gearing.

For the year ended 31st December, 2017, the Group recorded net cash generated from operating activities to finance costs ratio of approximately 0.86 times, a level below the median of its comparable peers. Based on the Pro-forma Financial Information and assuming that the Disposal had taken place on 1st January, 2017, such ratio of the Remaining Group is expected to increase to approximately 2.67 times. Further assuming RMB1,500 million bank borrowing had been repaid with the cash proceeds from the Disposal on 1st January, 2017, such ratio of the Remaining Group is expected to further increase to approximately 4.24 times, a level close to the median of its comparable peers, representating a substantial improvement in terms of interest coverage.

In light of the above, the Disposal and the further repayment of RMB1,500 million bank loan would substantially improve both the financial gearing level and interest coverage level of the Group, and thus mitigate the credit risk and interest burden the Group faces.

Borrowing repayment schedule of the Group

According to the 2017 annual report of the Company, the Group recorded total bank and other borrowings of approximately RMB4,893 million as at 31st December, 2017, among which those repayable within one year or on demand amounted to approximately RMB3,381 million. As comparison, the Group had cash of approximately RMB455 million on the same day. Such that, most of the bank and other borrowings repayable within one year or on demand has to be repaid through refinancing. In the tightening credit environment in PRC, this represents substantial liquidity risk of the Group.



Source of data: 2017 annual report of the Company

Latest developments

Entered into 2018, the Group has been unsuccessful in renewing its credit line with a number of banks and the Company is faced with depletion of liquid funds.* In addition, the Company was recently informed that a guarantor (the "**Guarantor**") of one bank loan extended to the Group has entered into financial difficulties, which creates further uncertainty in the credit environment the Group faces.† The management of the Company is of the view that shortage of funding (a) creates difficulties to maintain a sufficient level of working capital for profitable operation, (b) causes

* We were provided with a summary of bank loans discontinued in the first half of 2018, and compared with the lists of outstanding bank loans of the Group as at 31st December, 2017 and 30th June, 2018 respectively.

† We have reviewed the guarantee agreement between the Company and the Guarantor and other document and information as supporting.

additional burden in financial costs and human resources to maintain banking relationships, and (c) leads to substantial risk in its sustainability should the credit environment it faces further worsen; thus definitive and effective measure need to be taken.

China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) issued on 22nd May, 2018 the new temporary measures for joint credit management of banking and financial Institutions (《銀行業金融機構聯合授信管理辦法(試行)》) to regulate companies with borrowings from more than three banking and financial institutions and aggregate financing balance of more than RMB2 billion, in order to restrict risk of over-borrowing in the market. As at 31st December, 2017, the Group had total borrowings of approximately RMB5 billion from 15 banking and financial institutions. Management of the Company is of the view, and we concur that this new policy may create further difficulties for the Group in rolling over its financing or obtaining new financing.

After the Disposal, the Board intends to use approximately RMB1,500 million repay bank borrowings, in order to improve the financial gearing and interest coverage ratios of the Group and mitigate the credit risk and interest burden the Group faces. As at 30th June 2018, the Company has already repaid RMB1,801 million of the abovementioned RMB3,381 million of outstanding borrowings repayable within one year or on demand, among which RMB918 million was repaid through roll over, and the other RMB883 million was repaid through refinancing by new bank borrowings from other banks. The Company has been actively liaising with banks to refinance the remainder of RMB80 million before they fall due. The Directors are of the view that improving the Group's financial situation through the Disposal is in the interest of the shareholders of the Company.

Conclusion

In light of the above, we are of the view that with the high financial gearing level of the Group and the large proportion of its borrowings repayable in short-term or on demand, the Company faces substantial financial risk in the tightening PRC credit market, and the Disposal is expected to materially mitigate the financial risk faced by the Company.

2.2 *Realising Lingbao Wason's value and relieve from burden of continuous investments*

Price margin

Copper is the major raw material of the copper processing business of Lingbao Wason that accounted for approximately 56% of revenue and 77% of its total costs of sales for the year ended 31st December, 2017. As an important commodity traded around the globe, copper price fluctuated in the last decade and presented cycle pattern. The solid blue line in the price chart below presents the historical copper price traded on the London Metal Exchange ("**LME**").

Source of data: Bloomberg, and the annual reports of the Company

As illustrated above, in early 2008 copper price was trading above US$8,000 per tonne and fell below US$3,000 per tonne within one year as global financial crisis outbroke. In 2011, it reached a new peak of over US$10,000 per tonne, and after that entered into a gradual and steady decrease. It bottomed at about US$4,000 per tonne around early 2016 and entered into an increase channel since then.

For comparison, the red line in the same chart above presents the historical annual average selling price of copper foils, the principal product of Lingbao Wason, of the same period, as extracted from the annual reports of the Company and converted into US$ with the average daily exchange rate in each year. As shown in the chart, (i) the historical average selling price of copper foil by Lingbao Wason presented roughly same pattern with LME copper price, and (ii) the spread between the two lines widened in 2016 and 2017.

According to the management of the Company, copper processing business in which Lingbao Wason is principally engaged is a competitive industry with relatively low barrier of entry, and similar to most competitive industry its products are typically priced based on cost-plus model whereby material costs are mostly passed through and a thin margin is earned on top. The higher spread Lingbao Wason earned in 2016 and 2017 is mainly due to temporary imbalance between supply and demand caused by the booming development in the lithium battery industry and the new energy automobile industry. Lingbao Wason as one of the faster movers into this high-end market enjoyed higher margins in 2016 and 2017. Due to the low entry barrier of the industry, and more players have been entering into this market and expanding production capacity, the management of the Company is of the view that such higher margins are not sustainable, and as typical in the PRC, the industry might see an over-reaction with too much production capacity being invested in to a level that exceeds market demand in a few years.

Market supply expansion

According to a research report in respect of the increase in production capacity of domestic copper foil enterprises in 2017–2018 (《國內銅箔企業2017年–2018年新增產能統計與預測》) issued in March, 2018 by China Electronic Material Industry Association Electronic Copper Foil Material Branch (中國電子材料行業協會電子銅箔材料分會), it is estimated that domestic electronic copper foil production capacity has increased by 51,400 tons per annum in 2017 to 383,400 tons per annum, among which 45,500 tons per annum or 88.5% of the increase was in lithium battery copper foil sector, the more profitable sector of Lingbao Wason in 2016 and 2017. And further increase of 118,000 tons per annum is expected in 2018 in domestic electronic copper foil production capacity, among which 94,000 tons per annum or 79.7% is in lithium battery copper foil sector. By the end of 2018, domestic production capacity of lithium battery copper foil is expected to increase by 177.7% to 218,000 tons per annum, from 78,500 tons per annum as at the beginning of 2017; and there is expected to be 8 lithium battery copper foil producers with production capacity of more than 10,000 tons per annum, increased from 4 as at the end of 2017, including Lingbao Wason.

Conclusion

In 2016 and 2017, as demand expands in the lithium battery market, Lingbao Wason enjoyed substantial improvement in its sales and profitability. However, with more competitors entering into the market and increasing production capacity, management of the Company is of the view that Lingbao Wason will face increasing competition and the higher margin in 2016 and 2017 is not sustainable, and to remain competitive further investment by Lingbao Wason is necessary. According to the Company, Lingbao Wason has an expansion plan that requires total investment of approximately RMB2.8 billion.

In addition to capital expenditure, Lingbao Wason has to cope with continuous needs in working capital investment, which recorded net cash outflow in operating activities in both 2016 and 2017. Facing a tightening credit environment, the Directors believe it is difficult for the Company to support the continuous investments in the operation and expansion of Lingbao Wason, and it is in the best interests of the Company and its shareholders as a whole to exit the business at its historical peak, based on its favourable operating performance in 2017.

According to Pro-forma Financial Information, taking into account that Lingbao Wason was acquired by the Group in 2008 at a consideration of RMB27.9 million, it is estimated that the Company will record a gain before tax of approximately RMB1,816.0 million as a result of the Disposal, as if the Disposal had taken place on 31 December 2017. The Company's accumulated loss in its tax account in the last five years can be used to offset the potential tax payment obligation caused by the gain arised from the Disposal.

2.3 Focus on the remaining business

As discussed in the annual reports, the Company is principally engaged in gold mining, smelting and refining. After listed in Hong Kong in 2006, the Company acquired Lingbao Wason in 2008 and started the business of copper foil manufacturing. The Disposal is a step to realise its investment in Lingbao Wason and better focus on its mining and smelting businesses. Besides improving its financial situation through the Disposal, the Group will also have funding for its Remaining Group to (i) meet the capital needs for environmental protection, technological upgrade and exploration, and (ii) meet working capital needs and improve the utilisation rate of the production facilities.

Use of proceeds

The net proceeds from the Disposal is expected to be approximately RMB2,554 million. Besides the approximately RMB1,500 million to be used to reduce indebtedness, approximately RMB408 million would be used to (i) improve the production efficiency of the Remaining Group's existing mining and smelting business, in particular replacing aging equipment and facilities on the production and mining sites, and (ii) conduct certain technological upgrades and environmental protection measures related upgrades. As stated in the 2017 annual report of the Company, the Group's smelting operation was suspended for about three months in 2017 due to environmental related issues. As environment protection requirements have been tightening in the PRC, such upgrades are to enhance the pollutant treatment capability of the Group and to reduce the risk of any further interruption of production in future.

Approximately RMB646 million would be used as general working capital, and is expect to enable the Group to increase the minerals input by 10%-20% from the average mineral inputs of the Group in the past three years, and improve the utilisation rate of the production facilities, and thus the financial performance of the Remaining Group.

Full Gold

According to the annual reports of the Company, Full Gold, the gold mining and mineral ores processing operations in the Kyrgyz Republic and mining — KR segment of the Group, has been loss making in each year of the five years ended 31st December, 2017, and the losses ranged from about RMB40 million in 2015 and 2016 to approximately RMB78 million in 2017. As the Company has been stepping up its effort to improve the profitability of the Group, it may make arrangement to stop further losses to be incurred by Full Gold in future, by technological upgrade and cooperation with research institutions to improve the mining and ore processing capacity and efficiency, or by disposing of or suspending the operation of Full Gold, if the operating loss situation of Full Gold cannot be rectified. The Directors are of the view that after the repayment of RMB1,500 million bank borrowings with the proceeds from the Disposal, the Company will have the financial capacity to support, if necessary, the disposal of or a further write-off in Full Gold without triggering any unfavourable action by its lending banks.

Outlook

According to the Directors, four major strategic measures, namely reallocation of resources, technology upgrades and expansion, cost control, enhancement of efficiency and safety and environmental protect, will be adopted to develop the "two cores", development of gold and smelting of non-ferrous metals, of the Group. Apart from the above, the Company does not have any intention, arrangement, agreement, understanding, or negotiation for any scaling down, disposal or termination of the existing operating businesses of the Remaining Group.

2.4 Section Summary

In summary, through the Disposal the Group will be able to (i) improve its gearing ratio and interest coverage ratio, and (ii) use the remaining proceeds to develop its core gold mining, smelting and refining businesses and supplement working capital. We concur with the management that facing the tightening credit environment in the PRC, it would be in the interests of the Company and its shareholders as a whole to improve the financial situation of the Group and mitigate credit risk and interest burden.

Taking into account the substantial expansion in copper foil supply in the PRC, the management of Company is of the view that to remain competitive further capital investment is necessary. Lingbao Wason has an approximately RMB2.8 billion expansion plan that the Group at its current financial situation is not able to support; and thus, it is in the interests of the Company and its shareholders as a whole to exit the business at peak and before the anticipated competitive environment impacts negatively on margin.

The Company has been actively seeking to improve capital structure of the Group. In early 2018, the Company has issued 94,000,000 ordinary shares for net proceeds of approximately HK$102 million. On 14th February, 2018, the Company has entered into another subscription agreement regarding the issue of 58,860,252 ordinary shares for net proceeds of approximately HK$75 million. As at the Latest Practicable Date, this issue is still under regulatory approval process in the PRC. The Directors have also considered and formed the view that a large scale of share issue at current market price, before the mining, smelting and refining businesses of the Group release their potential, would not be in the interest of the shareholders of the Company.

Having considered these factors, we concur with the Directors that disposing Lingbao Wason is reasonable, commercially justifiable, and in the interests of the Company and its shareholders as a whole.

With the intention to dispose Lingbao Wason, the Company contacted a number of potential buyers, including a number of PRC listed companies. On 7th July, 2017 the Company entered into an equity transfer agreement in respect of the disposal of 60% equity interest in Lingbao Wason for a consideration of RMB637,240,463.33, corresponding to a value of approximately RMB1,062.1 million of the 100% equity interest in Lingbao Wason. The resolution to approve the transaction was not passed at the extraordinary general meeting of the Company and the transaction therefore did not proceed. Taking into account the RMB500 million capital injection into Lingbao Wason in 2017, the Consideration represents an increase in price of more than 60% (RMB2,558.2 million/(RMB1,062.1 million + RMB500 million)) in around one year.

The Company continued the effort in seeking opportunity to sell its copper foil business and approached professional agency on an informal and strictly confidential basis in early 2018. No potential buyer can offer to pay a consideration to the satisfaction of the Company, and the Directors consider that the transaction terms and conditions offered were harsh and included no or low amounts of cash for consideration that would not solve the financial difficulties that the Company is facing. Shenzhen Londian Electrics Co., Ltd. has therefore been selected as the Purchaser.

Furthermore, considering the Company had entered into an agreement for the purpose of disposing Lingbao Wason in 2017, any keen and serious buyers with necessary financial resources could had made offer to the Company with competitive bid, especially that Lingbao Wason was at the value of approximately RMB1,062 million or 9 times of earnings at the time, which is significantly lower than the Consideration in the Disposal. In light of the above, we consider that the Disposal to a connected person is reasonable, commercially justifiable.

3. Principal terms of the Equity Transfer Agreement

The Company entered into the Equity Transfer Agreement on 12th August, 2018 and formulated the Disposal. To access the fairness and reasonableness of the Equity Transfer Agreement, we have taken into consideration the principal terms including consideration and payment structure.

3.1 Consideration

Pursuant to the Equity Transfer Agreement, the Consideration of RMB2,558,196,780 was determined based on the higher of (i) 10 times of Lingbao Wason Group's net profit of approximately RMB255.8 million in 2017, and (ii) the valuation result of RMB2.34 billion by C&W with respect to the 100% equity interest in Lingbao Wason as at 30th April, 2018; taking into account (i) the financial performance and financial position of Lingbao Wason Group for the year ended 31st December, 2017, including, among others, its net assets attributable to the Group of approximately RMB949.0 million as at 31st December, 2017, and (ii) the general market environment in the PRC copper processing industry.

In assessing the fairness and reasonableness of the Consideration, we have conducted an analysis through (i) identifying the companies which are primarily engaged in similar business activities to Lingbao Wason that are listed in Hong Kong and other major capital market in Asia; and (ii) comparing their trading price multiples with the implied transaction price multiples based on the Consideration and the latest audited financial information of Lingbao Wason.

The sales, earnings before interest, taxes, depreciation and amortisation ("**EBITDA**"), and profit attributable to equity holders of Lingbao Wason for the year ended 31st December, 2017 were approximately RMB1,743 million, RMB415 million and RMB258 million respectively. The enterprise value ("**EV**") of Lingbao Wason calculated based on the Consideration and the net debt of approximately RMB279 million as at 31st December, 2017 was approximately RMB2,837 million. Based on the above, the price to sales ratio ("**P/S**"), price to earnings ratio ("**P/E**"), price to book ratio ("**P/B**") and EV to EBITDA ratio ("**EV/EBITDA**") as implied in the Disposal were approximately 1.5 times, 9.9 times, 2.7 times and 6.8 times respectively.

Comparable analysis

Lingbao Wason is principally engaged in the production and sale of copper foil and flexible copper clad laminate. To identify its comparable companies, we have searched for companies listed on the Stock Exchange and principally engaged in the manufacturing and production of copper foil and laminates but only one company Kingboard Laminates Holdings Limited was found that met the criteria. To increase the sample size and avoid relying a single company, we expanded the scope in searching and formed two groups of comparable companies of Lingbao Wason for our analysis.

In the first group, we concentrated on the companies listed on the Stock Exchange in Hong Kong and relaxed the criterion on product types. Manufacturers of copper cables were included in this group, but mining companies were not included as we considered mining has different business nature and price risk from copper processing. Taking into account the Consideration is close to HK$3 billion (based on the exchange rate of RMB1 = HK$1.15), only companies with market capitalisation of above HK$1 billion are included. To summarise, the criteria of the first group are (i) listed on the Stock Exchange in Hong Kong; (ii) with market capitalisation of over HK$1 billion; and (iii) principally engaged in the manufacturing and production of copper foil, copper clad laminates, or copper cables. Five companies ("**Comparable Group 1**") were identified. Besides Kingboard Laminates Holdings Limited, the other four companies are principally engaged in the production of copper cables as set out in Comparable Group 1 table below.

In the second group, the companies listed on other major Asia stock exchanges are included, except for the PRC, as we do not consider price level on the stock exchanges in the PRC with capital restriction in force, is representative and suitable to be reference in this analysis. Thus, the criteria of the second group are (i) listed on major stock exchanges in Asia except for PRC; (ii) with market capitalisation of over HK$1 billion; and (iii) principally engaged in the manufacturing and production of copper foil, or copper clad laminates. Seven companies ("**Comparable Group 2**") were identified. Besides Kingboard Laminates Holdings Limited, five companies are listed on the Taiwan Stock Exchange and one company is listed on the Korea Stock Exchange as set out in Comparable Group 2 table below.

Comparable Group 1

Company Name	Stock Code	Stock Exchange	P/S	P/E	EV/ EBITDA	P/B
Solartech International Holdings Limited	1166	Hong Kong	6.2	103.6	49.8	1.7
Trigiant Group Limited	1300	Hong Kong	0.6	6.7	6.3	0.6
Jiangnan Group Limited	1366	Hong Kong	0.1	15.4	7.1	0.3
Kingboard Laminates Holdings Limited	1888	Hong Kong	1.4	6.7	4.7	1.4
		High	6.2	103.6	49.8	1.7
		Low	0.1	6.7	4.7	0.3
		Average	2.1	33.1	17.0	1.0
		Median	1.0	11.1	6.7	1.0

Comparable Group 2

Company Name	Stock Code	Stock Exchange	P/S	P/E	EV/ EBITDA	P/B
Kingboard Laminates Holdings Limited	1888	Hong Kong	1.4	6.7	4.7	1.4
Elite Material Co., Ltd.	2383	Taiwan	1.4	11.3	7.4	2.9
LCY Technology Corporation	4989	Taiwan	1.4	8.2	6.0	2.3
ITEQ Corporation	6213	Taiwan	1.0	17.4	7.9	3.0
Taiwan Union Technology Corporation	6274	Taiwan	1.7	30.2	14.0	4.1
Co-tech Development Corporation	8358	Taiwan	1.4	8.1	5.6	1.8
Iljin Materials Co., Ltd.	20150	Korea	4.8	59.2	36.0	4.5
		High	4.8	59.2	36.0	4.5
		Low	1.0	6.7	4.7	1.4
		Average	1.9	20.2	11.7	2.9
		Median	1.4	11.3	7.4	2.9
Lingbao Wason			1.5	9.9	6.8	2.7

Note: P/S, P/E, P/B, EV/EBITDA of the comparable companies were calculated with their respective market capitalisation based on closing price on 10th August, 2018, being the last trading day before the Equity Transfer Agreement was entered into, and the financial information of the latest trailing twelve month extracted from their respective annual reports, interim reports and quarterly reports.

As shown in tables above, the implied P/S, P/E, EV/EBITDA, and P/B ratios of Lingbao Wason in the Disposal are (i) within the ranges of the respective multiples in each group of comparable companies, and (ii) in line with their corresponding median multiples of the two groups.

Valuation by C&W

In addition to our own analysis, we have also reviewed the valuation report dated 31st August, 2018 prepared by C&W in association with the Disposal. In the report, market approach was adopted in valuating Lingbao Wason, and the selection criteria for comparable companies were (a) listed company (b) engaged in the manufacturing of copper foil (c) that was profitable in 2017. Four comparable companies were selected and they are Kingboard Laminates Holdings Limited, LCY Technology Corporation, Co-tech Development Corporation and Arcotech Limited. Among these four companies, only Arcotech Limited listed in India was not included in either of our comparable groups, as its market capitalisation was less than HK$300 million (based on the exchange rate of INR 1 = HK$0.12), a size about onetenth of the Consideration and thus could not meet our selection criteria as listed above. The report considered P/E multiple to be as most relevant and adopted it as a commonly used approach. The average P/E of the comparable companies of 9.69 was used in the valuation, multiple with Lingbao Wason's profit attributable to equity holders of approximately RMB258 million in 2017, and factored in a 25% lack of marketability discount and a 25% control premium, both of which referenced from the Mergerstat Review 2017*, the valuation result of 100% equity interest in Lingbao Wason came to approximately RMB2.34 billion, lower than the Consideration in the Disposal.

Previous Proposal

As detailed in the circular of the Company dated 11th August, 2017, in the attempt to dispose 60% equity interest in Lingbao Wason in 2017, the 100% equity interest in Lingbao Wason was priced at approximately RMB1,062 million, being the higher of (i) 9 times of the profit after tax extracted from the audited local statutory financial statements of Lingbao Wason for the year ended 31st December, 2016; and (ii) the valuation result of RMB1,049.29 million as assessed by Carea Assets Appraisal Co., Ltd., an independent valuer, of the 100% equity interest in Lingbao Wason as at 31st December, 2016. The first approach of using 9 times earnings produced the higher valuation result and was adopted.

As comparison, in the Disposal the 100% equity interest in Lingbao Wason was priced at approximately RMB2,558 million (the Consideration), being the higher of (i) 10 times of the net profit of Lingbao Wason of approximately RMB255.8 million for the year ended 31st December, 2017; and (ii) the valuation result of RMB2,340 million as assessed by C&W, an independent valuer, of the 100% equity interest in Lingbao Wason as at 30th April, 2018. The first approach of using 10 times earnings produced the higher valuation result and was adopted in the Disposal, which is also higher than the 9 times earnings in the Previous Proposal as discussed above.

Conclusion

In addition to the above analysis, we have reviewed the 2017 audited report of Lingbao Wason and was confirmed by the management of the Company that Lingbao Wason does not have any substantial property or other investments that are not associated with its normal course of operation, undervalued in its financial statements or should be valued separately. Thus, we consider market approach is sufficient to reflect the overall value of Lingbao Wason. In light of the above, we are of the view that the Consideration is fair and reasonable.

* We have reviewed the scanned copy of selected pages in the Mergerstat Review 2017 as reference of the 25% lack of marketability discount and 25% control premium.

3.2 Payment and transition arrangements

Pursuit to the Equity Transfer Agreement, Consideration is to be settled in four portions: (i) a deposit of RMB20 million was paid within 3 business days after the Equity Transfer Agreement was entered into; (ii) an Initial Payment of RMB350 million (approximately 13.7% of the Consideration) will be paid within 5 business days upon the Disposal is approved by the EGM, to be used to release the pledge over equity interest in Lingbao Wason; (iii) a Second Payment of RMB1,164.9 million (approximately 45.5% of the Consideration) will be paid to an Escrow Account within 10 business days after the AIC Registration is initiated, and transferred to the Company upon the completion of AIC Registration; and (iv) the balance of approximately RMB1,023.3 million (40% of the Consideration) will be paid to the Escrow Account within 10 business days upon the completion of AIC Registration, and transferred to the Company within 5 business days after the parties confirm that the receivables and payables and any guarantees between the Company and Lingbao Wason as of 30th April, 2018 are settled or otherwise dealt with.

Before the receivables and payables and any guarantees between the Company and Lingbao Wason as of the completion date of the AIC Registration are settled, the Company will retain its control over Lingbao Wason, and enjoys the profit and bear the loss recorded by Lingbao Wason.

Taking into account the Purchaser is controlled by D&R Asset Management Group Company Limited that also held 21.45% in the Company as at the Latest Practicable Date, the Directors are of the view that D&R Asset Management Group Company Limited and the Purchaser are reliable business partners and would not withhold or delay the final payment intentionally and put the Company into financial jeopardy. In light of the above, we consider such arrangement reasonable.

4. Financial effects of the Disposal

Upon Completion, the Company will cease to hold any equity interest in Lingbao Wason and Lingbao Wason will cease to be a subsidiary of the Company. The financial results of Lingbao Wason and its subsidiaries will no longer be consolidated into the consolidated financial statements of the Group after the Completion.

4.1 Effects on earnings

The Company is expected to recognise a gain after transaction costs of approximately RMB1,815.9 million from the Disposal assuming that the Disposal had taken place on 31st December, 2017, being the difference between the sum of the Consideration from the Disposal of around RMB2,558.2 million and Lingbao Wason Group's retained profits attributable to the Group of around RMB210.9 million as at 31st December, 2017, and the sum of the adjusted net assets of

Lingbao Wason Group attributable to equity holders of RMB949.0 million as at 31st December, 2017 and the estimated transaction costs in relation to the Disposal of approximately RMB4.1 million.

Based on the Pro-forma Financial Information and assuming that the Disposal had taken place on 1st January, 2017, the net profit of the Remaining Group for the year ended 31st December, 2017 would increase from approximately RMB50.6 million to RMB1,826.1 million as a result of the Disposal. Such increase is mainly caused by the gain arising from the Disposal of around RMB2,342.5 million, offsetted by the associated tax effect of around RMB306.1 million, reduction of the net profit contribution of approximately RMB255.8 million by Lingbao Wason, and adjustments representing restatement of intercompany transactions of around HK$5.0 million. Excluding the one-off gain arising from the Disposal, the net profit of the Remaining Group for the year ended 31st December, 2017 would be recorded a net loss of approximately RMB210.2 million, and its operating profit would be reduced from approximately RMB358.0 million to approximately RMB6.3 million.

4.2 Effects on net assets

Based on the Pro-forma Financial Information and assuming that the Disposal had taken place on 31st December, 2017, as at 31st December, 2017 the total assets of the Remaining Group would increase from approximately RMB7,946.7 million to approximately RMB8,505.2 million, and the total liabilities would decrease from approximately RMB6,563.3 million to approximately RMB5,733.8 million, and the net assets attributable to equity shareholders would increase significantly from approximately RMB1,223.9 million to approximately RMB2,859.7 million.

4.3 Effects on cash and liquidity

As at 31st December, 2017, the Group recorded cash (and cash equivalents) of approximately RMB455.4 million and net current liabilities of approximately RMB978.9 million. Based on the Pro-forma Financial Information and assuming that the Disposal had taken place on 31st December, 2017, cash (and cash equivalents) balance would increase to approximately RMB3,172.4 million, and the Group would recorded net current assets of approximately RMB1,118.9 million. Further assuming RMB1,500 million of bank and other borrowings maturing within one year will be repaid in cash immediately after the Disposal, cash (and cash equivalents) balance would be approximately RMB1,672.4 million and net current assets balance of approximately RMB1,118.9 million would remain unchanged. In light of the above, liquidity of the Group is expected to improve after the Disposal.

4.4 Effects on gearing ratio and interest coverage ratio

As discussed under section headed "2.1 Improvement of financial leverage and mitigation of interest burden", the Disposal would improve both net debt to equity ratio and net cash generated from operating activities to finance costs ratio of the Group, and thus is expected to materially mitigate the credit risk faced by the Company.

RECOMMENDATION

Having considered the background of the financial difficulties the Company faces and the increasingly competitive copper foil market Lingbao Wason faces, and based on the factors set out in our letter and particularly (i) the reasons for and benefits of the Disposal; (ii) the principal terms of the Equity Transfer Agreement; and (iii) the possible financial effects of the Disposal on the Group, we are of the view that the Disposal is fair and reasonable, and is in the interests of the Company and its shareholders as a whole despite not being in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited
Avent Tong
Director

Mr. Avent Tong a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over ten years of experience in corporate finance from corporate finance advisory, principal investment and financial management positions.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 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 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 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 2017 published on 19 April 2018 (pages 68–159)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0419/LTN20180419421.pdf

2. INDEBTEDNESS STATEMENT

At the close of business on 30 June 2018, 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 RMB5,661 million. As at 30 June 2018, (a) bank loans of the Group amounting to RMB32 million were secured by a mining right of Istanbul Gold Mine, the ordinary shares of Full Gold Mining Limited Liability Company, certain machinery and equipment and buildings; (b) bank loans of the Group amounting to RMB1,370 million were secured by deposits and certain bills receivable; (c) bank loans of the Group amounting to RMB267 million were secured by deposits and certain inventories; (d) bank loans of the Group amounting to RMB587 million were guaranteed by Lingbao State-owned Assets Operation Company Limited; (e) bank loans of the Group amounting to RMB45 million were guaranteed by Lingbao Jinsheng Mining Co., Ltd.; (f) a loan from a leasing company amounting to RMB340 million was secured by certain machinery and equipment and equity interests in Lingbao Wason; (g) a loan from a leasing company amounting to RMB162 million were secured by certain machinery and deposits.

Charges and mortgages

The mining right of Istanbul Gold Mine, the ordinary shares of Full Gold Mining Limited Liability Company, certain machinery and equipment and buildings were pledged to secure bank loans amounting to RMB32 million.

Certain machinery and equipment and equity interests in Lingbao Wason were pledged to secure a loan from a leasing company amounting to RMB340 million.

Certain machinery and deposits in the Group were pledged to secure a loan from a leasing company amounting to RMB162 million.

Certain deposits amounting to RMB949 million and bills receivable amounting to RMB30 million were pledged to secure bank loans amounting to RMB1,370 million.

Certain deposits amounting to RMB22 million and inventories amounting to RMB266 million were pledged to secure bank loans amounting to RMB267 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 2018 (being the latest practicable date for the purpose of this indebtedness statement).

3. WORKING CAPITAL

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.

4. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement dated 17 August 2018 which stated that the net loss attributable to the equity shareholders of the Company for the six months ended 30 June 2018 is expected to be approximately RMB67,000,000 as compared to the corresponding year of 2017, of which the net profit attributable to the equity shareholders of the Company was approximately RMB26,450,000. Such turnaround from profit to loss was mainly due to significant drop in gross profit margin for the smelting segment due to low utilisation rate of the smelting production facilities. Save as disclosed above, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

In the second half of financial year 2018, 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. After the Disposal, the Company will reduce the Remaining Group outstanding indebtedness and focus on mining and smelting as its main business but will also looks for potential new investment opportunities that may arise. The Company will also ensure the production plants is operating at maximizing production volume for the products produced. The proceeds from the Disposal will surely provide more financial resources to the Company to help its future development of its business.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The management discussion and analysis of the Company and its subsidiaries after the Disposal ("**Remaining Group**") for three years ended 31 December 2017, is set out below. Upon completion of the Disposal, Lingbao Wason will cease to be a subsidiary of the Company, and the Company will no longer have any ownership interest in Lingbao Wason. The financial data in respect of the Remaining Group, for the purpose of this circular, is adjusted base on the consolidated financial statements of the Group for each of the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015.

For the year ended 31 December 2017

Result

Remaining Group turnover for the year ended 31 December 2017 amounted to RMB4,224,983,000 while the profit attributable to the Shareholders for the year amounted to RMB78,060,000, equivalent to a basic profit per share of RMB10.1 cents.

Business Review

Mining segment

Products	Unit	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	1,379	1,338
Compound gold	kg	1,185	1,229
Total	kg	2,564	2,567
Total	Ounce	82,435	82,531

The total revenue of the mining segment of the Remaining Group for 2017 was approximately RMB709,820,000, representing a decrease of approximately 3.4% from approximately RMB734,733,000 in 2016. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and Kyrgyzstan represented approximately 44.4%, 34.3%, 11.2% and 10.1% of the total revenue of the mining segment, respectively. The production volume of compound gold of the Remaining Group decreased by approximately 88 kg to approximately 1,185 kg while the production volume of its gold concentrates decreased by approximately 305 kg to approximately 1,379 kg. The decrease in production volume of gold concentrates was mainly due to the renewal of production and safety permits by Tongbai Xingyuan Mining Company Limited, which has suspended production since October 2017 and is anticipated to recommence production in April 2018.

Smelting Segment

Products	Unit	Approximate production volume	Approximate sales volume
Gold bullion	kg	12,702	12,864
	ounce	408,378	413,587
Silver	kg	21,838	22,698
	ounce	702,108	729,758
Copper products	tonne	10,542	10,504
Sulphuric acid	tonne	103,492	107,112

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. Its products include gold bullion, silver, copper products and sulphuric acid. The Remaining Group's total revenue from the smelting segment for 2017 was approximately RMB4,062,843,000, representing a decrease of approximately 20.2% from approximately RMB5,093,715,000 in 2016. The daily processing capacity of gold concentrates of the Remaining Group was approximately 919 tonnes, at a production utilisation rate of approximately 100%. The Remaining Group's production volume of gold, silver, copper and sulphuric acid decreased by approximately 25.4%, 46.5%, 16.8% and 39.9%, respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.8%, the silver recovery rate was approximately 72.7% and the copper recovery rate was approximately 96.3%. The recovery rates of the Remaining Group remained at a relatively high level.

In 2017, the Remaining Group recorded a decline in the revenue and profit of its smelting segment, mainly because its smelting plant suspended production for about three months. The smelting branch received an "Emergency Notice in relation to Immediate Suspension of Production of Enterprises Involving Emission of Heavy-metal Pollutants" (《關於對轄區內涉及重金屬污染物排放企業立即進行停產整治的緊急通知》) issued by Lingbao Municipal Environmental Protection Commission's Office (靈寶市環境保護委員會辦公室) on 25 January 2017. Due to the excessive emission of heavy metals to Hongnongjian River, Yangping River and Zaoxiang River, there is a serious threat to the water quality of the downstream Sanmenxia Reservoir. To quickly remove pollution, improve the water quality of the above rivers and ensure the safety of water environment, seven enterprises' production (including the smelting branch) were suspended. The smelting branch was actively engaged in treatment work concerning safety and environmental protection, striving to resolve the issues and seeking early resumption of work and production. Having met the requirements on treating heavy-metal pollution from environmental protection authorities, the smelting plant has resumed its production since April 2017.

Liquidity and Financial Resources

The Remaining Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2017 amounted to RMB929,006,000.

As at 31 December 2017, the Remaining Group had total outstanding bank and other borrowings of approximately RMB4,213,490,000 with interest rates ranging from 2.2% to 6.08% per annum, of which approximately RMB3,016,065,000 was repayable within one year, approximately RMB1,049,228,000 was repayable after one year but within two years, and approximately RMB148,197,000 was repayable after two years. The gearing ratio of the Remaining Group as at 31 December 2017 was 62.9%, which was calculated by total borrowings divided by total assets.

Pledge of assets

As at 31 December 2017, bank loans of the Remaining Group amounting to RMB64,035,000 were secured by the mining right of Istanbul Gold Mine with a carrying amount amounting to RMB66,523,000, the property, plant and equipment with carrying amount of RMB84,916,000 and equity interests in Full Gold Mining Limited Liability Company ("**Full Gold**"), a subsidiary located in Kyrgyz Republic.

As at 31 December 2017, the Remaining Group secured the loans to a leasing company of RMB191,250,000 with a pledge of Nanshan Mine with carrying amount of RMB243,839,000 and pledged deposits with carrying amount of RMB10,000,000.

As at 31 December 2017, the Remaining Group secured bank loans of RMB999,763,000 with a pledge of secured deposits with carrying amount of RMB578,345,000 and bills receivable with carrying amount of RMB30,039,000.

Market Risks

The Remaining Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, as well as changes in interest rates and exchange rates.

Gold price and other commodities price risk

The Remaining Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products were sold at the market prices, where such fluctuation was beyond our control. The Remaining Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Remaining Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Remaining Group undertakes debt obligations for supporting capital expenditure and general working capital. The Remaining Group's bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. If the People's Bank of China increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Remaining Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold price, and our operation results may be affected. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi. In addition to the foregoing, the exchange rate risks to which the Remaining Group exposes are mainly from certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency giving rise to risk is primarily United States dollars. Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

Contingent Liabilities

As at 31 December 2017, the Remaining Group had no material contingent liabilities.

Employees

In 2017, the average number of employees of the Remaining Group was 5,211. The Remaining Group highly treasures its human resources and provides its employees with competitive remuneration and training programs.

Outlook

In 2018, the Remaining Group's strategic direction is to promote the balanced development of its two major business, which is the business in mining and smelting. Smelting segment is still the core of the Remaining Group's profits and must continue to make new contribution to the growth, while mining enterprises would aim for realising strong profitability in general. For Full Gold, stringent measures would be formulated to reduce losses in stipulated timeframe. The Remaining Group will continue to increase mine exploration and reserve for its existing gold mines. With continuous enhancement of environmental protection management standards, the Remaining Group aims to conserve the beautiful environment and assumes its social responsibilities.

For the year ended 31 December 2016

Result

Remaining Group turnover for the year ended 31 December 2016 amounted to RMB5,248,299,000 while the loss attributable to the Shareholders for the year amounted to RMB190,674,000, equivalent to a basic loss per share of RMB24.8 cents.

Business Review

Mining segment

Products	Unit	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	1,684	1,609
Compound gold	kg	1,273	1,156
Total	kg	2,957	2,765
Total	Ounce	95,070	88,897

The total revenue of the mining segment of the Remaining Group for 2016 was approximately RMB734,733,000, representing an increase of approximately 8.7% from approximately RMB676,157,000 in 2015. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and Kyrgyzstan represented approximately 52.5%, 32.6%, 10.8% and 4.1% of the total revenue of the mining segment, respectively. The production volume of compound gold of the Remaining Group increased by approximately 57 kg to approximately 1,273 kg while the production volume of its gold concentrates decreased by approximately 167 kg to approximately 1,684 kg. The technology upgrading of the processing plant of Full Gold had been completed. The processing plant had been put into production in the second half of 2016, and had produced contained gold of approximately 85 kg (approximately 2,733 ounce) and compound gold of approximately 121 kg (approximately 3,890 ounce). In 2017, Full Gold will continuously optimize its production procedure in the new upgraded processing plant.

Smelting Segment

Products	Unit	Approximate production volume	Approximate sales volume
Gold bullion	kg	17,032	17,105
	ounce	547,591	549,938
Silver	kg	40,824	41,695
	ounce	1,312,522	1,340,525
Copper products	tonne	12,666	13,410
Sulphuric acid	tonne	172,204	175,080

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. Its products include gold bullion, silver, copper products and sulphuric acid. The Remaining Group's total revenue from the smelting segment for 2016 was approximately RMB5,093,715,000, representing a decrease of approximately 2.0% from approximately RMB5,199,665,000 in 2015. The daily processing capacity of gold concentrates of the Remaining Group was approximately 953 tonnes, at a production utilisation rate of approximately 100%. The Remaining Group's production volume of gold, silver, copper and sulphuric acid increased/(decreased) by approximately (10.8)%, 13.2%, (22.3)% and (11.2)%, respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.3%, the silver recovery rate was approximately 71.3% and the copper recovery rate was approximately 91.6%. The recovery rates of the Remaining Group remained at a relatively high level.

Liquidity and Financial Resources

The Remaining Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2016 amounted to RMB1,009,453,000.

As at 31 December 2016, the Remaining Group had total outstanding bank and other borrowings of approximately RMB4,552,872,000 with interest rates ranging from 2.2% to 5.75% per annum, of which approximately RMB3,090,134,000 was repayable within one year, approximately RMB498,395,000 was repayable after one year but within two years, and approximately RMB964,343,000 was repayable after two years. The gearing ratio of the Remaining Group as at 31 December 2016 was 71.4%, which was calculated by total borrowings divided by total assets.

Pledge of assets

As at 31 December 2016, bank loans of the Remaining Group amounting to RMB175,506,000 were secured by the mining right of Istanbul Gold Mine with a carrying amount amounting to RMB81,637,000 and equity interests in Full Gold, a subsidiary located in KR.

As at 31 December 2016, Lingbao State-owned Assets Management Co, Ltd. acted as a guarantor of bank loans of RMB603,519,000.

Market Risks

The Remaining Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, as well as changes in interest rates and exchange rates.

Gold price and other commodities price risk

The Remaining Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products were sold at the market prices, where such fluctuation was beyond our control. The Remaining Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Remaining Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Remaining Group undertakes debt obligations for supporting capital expenditure and general working capital. The Remaining Group's bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. If the People's Bank of China increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Remaining Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold price, and our operation results may be affected. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi. In addition to the foregoing, the exchange rate risks to which the Remaining Group exposes are mainly from certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency giving rise to risk is primarily United States dollars. Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

Contingent Liabilities

As at 31 December 2016, the Remaining Group had no material contingent liabilities.

Employees

In 2016, the average number of employees of the Remaining Group was 5,783. The Remaining Group highly treasures its human resources and provides its employees with competitive remuneration and training programs.

Outlook

In 2017, the Remaining Group is aiming to facilitate production with reformation, and increase efficiency through management. We will follow the reformation as the guide, and utilize technology and management as our binary measure. We will set the goal to broaden sources of income, reduce expenditures and enhance the efficiency. We will monitor our business with planning and inspections, and ensure the safety and environment protection of our business. We will actively and stably develop the Remaining Group in a high-quality, high-efficiency, environmental friendly, civilized and sustainable way. The Remaining Group will make full use of its advantages, and resolve the problems occur during development through a series of reformation and the enhancement of management. Instead of an impulse action or a blind action, the Remaining Group will seize the opportunity and proactively follow the trend. The Remaining Group will spare no efforts in anything, while knowing its limits. The Remaining Group will focus on risks, and pay more attention to chances, since chances can only be discovered but not sought. We will keep the spirit of persistent to develop our national layout based on Lingbao. We will stride forward step by step to bring forth the name of Lingbao Gold as a new corporate of gold with international view.

For the year ended 31 December 2015

Result

Remaining Group turnover for the year ended 31 December 2015 amounted to RMB5,241,837,000 while the loss attributable to the Shareholders for the year amounted to RMB493,181,000, equivalent to a basic loss per share of RMB64.0 cents.

Business Review

Mining segment

Products	**Unit**	**Approximate production volume**	**Approximate sales volume**
Gold concentrates (contained gold)	kg	1,851	1,900
Compound gold	kg	1,216	1,190
Total	kg	3,067	3,090
Total	Ounce	98,606	99,346

The total revenue of the mining segment of the Remaining Group for 2015 was approximately RMB676,157,000, representing a decrease of approximately 15.3% from approximately RMB798,574,000 in 2014. During the year, revenue of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 57.7%, 30.9% and 11.4% of the total revenue of the mining segment respectively. The production volume of compound gold of the Remaining Group decreased by approximately 14 kg to approximately 1,216 kg while the production volume of its gold concentrates decreased by approximately 340 kg to approximately 1,851 kg. Full Gold focused on the selection technology upgrading, project construction and mining activities in 2015. 70% of the selection technology upgrading was completed. The technology upgrading is expected to be completed and put into use in mid-2016.

Smelting Segment

Products	Unit	Approximate production volume	Approximate sales volume
Gold bullion	kg	19,104	19,213
	ounce	614,208	617,712
Silver	kg	36,050	35,117
	ounce	1,159,034	1,129,038
Copper products	tonne	16,308	15,450
Sulphuric acid	tonne	193,955	191,314

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. Its products include gold bullion, silver, copper products and sulphuric acid. The Remaining Group's total revenue from the smelting segment for 2015 was approximately RMB5,199,665,000, representing a decrease of approximately 8.8% from approximately RMB5,702,978,000 in 2014. Such decrease was mainly attributable to the decrease in our average selling price of gold bullion of approximately 5.8% as compared with the previous year. The daily processing capacity of the Remaining Group was approximately 1,096 tonnes of gold concentrates, and capacity utilisation rate was approximately 100%. The Remaining Group's production volume of gold, silver, copper and sulphuric acid increased/(decreased) by approximately (2.4)%, (14.5)%, (1.7)% and 0.0% respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.3%, the silver recovery rate was approximately 71.0% and the copper recovery rate was approximately 96.3%. The recovery rates of the Remaining Group remained at high level.

Liquidity and Financial Resources

The Remaining Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2015 amounted to RMB1,118,026,000.

As at 31 December 2015, the Remaining Group had total outstanding bank and other borrowings of approximately RMB4,281,206,000 with interest rates ranging from 1.81% to 6.15% per annum, of which approximately RMB3,622,410,000 was repayable within one year, approximately RMB419,159,000 was repayable after one year but within two years, and approximately RMB239,637,280 was repayable after two years. The gearing ratio of the Remaining Group as at 31 December 2015 was 60.8%, which was calculated by total borrowings including medium term notes divided by total assets.

On 25 March 2011, the Remaining Group issued five-year Medium Term Notes of RMB400 million in the PRC. The notes are unsecured and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.95% per annum. The notes were redeemed on 25 March 2016.

On 17 June 2011, the Remaining Group issued five-year Medium Term Notes of RMB300 million in the PRC. The notes are unsecured and will be redeemed on 16 June 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.85% per annum.

Pledge of assets

As at 31 December 2015, bank loans of the Remaining Group amounting to RMB245,458,000 were secured by the mining right of Istanbul Gold Mine with a carrying amount amounting to RMB81,993,000 and the ordinary shares of Full Gold, a subsidiary located in KR.

As at 31 December 2015, Lingbao State-owned Assets Management Co, Ltd. acted as a guarantor of a bank loan of RMB324,680,000.

Market Risks

The Remaining Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, as well as changes in interest rates and exchange rates.

Gold price and other commodities price risk

The Remaining Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products were sold at the market prices, where such fluctuation was beyond our control. The Remaining Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Remaining Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Remaining Group undertakes debt obligations for supporting capital expenditure and general working capital. The Remaining Group's bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. If the People's Bank of China increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Remaining Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold price, and our operation results may be affected. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi. In addition to the foregoing, the exchange rate risks to which the Remaining Group exposes are mainly from certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency giving rise to risk is primarily United States dollars. Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

Contingent Liabilities

As at 31 December 2015, the Remaining Group had no material contingent liabilities.

Employees

In 2015, the average number of employees of the Remaining Group was 5,794. The Remaining Group highly treasures its human resources and provides its employees with competitive remuneration and training programs.

Outlook

In 2016, the Remaining Group will aim to maintain sound, active and professional operation to facilitate its expansion, industrialization and financial development. In order to develop the "two cores", namely the development of gold and smelting of non-ferrous metals, four major strategic measures will be adopted with focuses on reallocation of resources, technology upgrades and expansion, cost control, enhancement of efficiency and safety and environmental protection. The Remaining Group is devoted to developing Lingbao Gold as a leading gold mining company in China through liberalization, cooperation, commitment and dedication.

KPMG

REPORT ON REVIEW OF FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the financial information set out on pages II-3 to II-11 which comprises the consolidated statements of financial position of Lingbao Wason Copper-Foil Company Limited ("**Wason**") and its subsidiaries (collectively referred to as the "**Disposal Group**") as at 31 December 2015, 2016, 2017 and 30 April 2018 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated cash flow statements for each of the years ended 31 December 2015, 2016, 2017 and for the four months ended 30 April 2017 and 2018 (the "**Relevant Periods**"), and explanatory notes (the "**Financial Information**"). The Financial Information has been prepared solely for the purpose of inclusion in this circular to be issued by Lingbao Gold Group Company Ltd. (the "**Company**" or "**Lingbao Gold**") in connection with the proposed disposal of 100% equity interest of Wason (the "**Disposal**").

The directors of the Company are responsible for the preparation and presentation of the Financial Information in accordance with the basis of preparation set out in note 2 to the Financial Information and paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**"). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "*Presentation of Financial Statements*". Our responsibility is to form a conclusion, based on our review, on the Financial Information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the HKICPA. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 August 2018

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Unaudited Consolidated Statements of Profit or Loss

For the years ended 31 December 2015, 2016, 2017, and the four months ended 30 April 2017 and 2018
(Expressed in Renminbi)

	Year Ended 31 December			Four Months Ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	987,359	1,174,724	1,734,524	570,038	532,785
Cost of sales	(825,887)	(909,290)	(1,264,125)	(432,907)	(397,367)
Gross profit	161,472	265,434	470,399	137,131	135,418
Other revenue	5,885	4,831	5,545	1,198	3,318
Other net income/(loss)	3,743	1,502	(5,984)	358	1,889
Selling and distribution expenses	(21,238)	(30,603)	(40,778)	(20,244)	(14,025)
Administrative expenses and other operating expenses	(89,108)	(85,050)	(83,447)	(23,180)	(24,598)
Profit from operations	60,754	156,114	345,735	95,263	102,002
Finance costs	(16,856)	(29,224)	(47,132)	(12,701)	(16,226)
Profit before taxation	43,898	126,890	298,603	82,562	85,776
Income tax	(5,366)	(17,546)	(42,783)	(12,364)	(10,905)
Profit for the year/period	38,532	109,344	255,820	70,198	74,871

Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2017 and 2018
(Expressed in Renminbi)

	Year Ended 31 December			Four Months Ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	38,532	109,344	255,820	70,198	74,871
Other comprehensive income for the year/period (after tax and reclassification adjustments)	—	—	—	—	—
Total comprehensive income for the year/period	38,532	109,344	255,820	70,198	74,871
Attributable to:					
Equity holder of the Disposal Group	38,532	109,344	258,170	70,198	74,998
Non-controlling interests	—	—	(2,350)	—	(127)
Total comprehensive income for the year/period	38,532	109,344	255,820	70,198	74,871

Unaudited Consolidated Statements of Financial Position
At 31 December 2015, 2016, 2017, and 30 April 2018
(Expressed in Renminbi)

	31 December			30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	688,567	733,984	689,592	671,681
Construction in progress	17,513	12,360	201,034	319,958
Lease prepayments	28,933	27,888	78,613	77,922
Other financial assets	—	30,000	—	—
Non-current prepayments	211	2,085	16,449	2,718
Deferred tax assets	7,968	11,473	14,513	13,794
	743,192	817,790	1,000,201	1,086,073
Current assets				
Inventories	226,395	176,612	292,099	301,873
Trade and other receivables, deposits and prepayments	512,608	484,176	536,972	474,615
Amount due from Remaining Group	—	—	250,860	474,522
Pledged deposits	42,211	60,680	294,417	461,401
Cash and cash equivalents	80,115	252,710	106,962	55,408
	861,329	974,178	1,481,310	1,767,819
Current liabilities				
Bank and other borrowings	149,289	165,637	364,921	324,921
Trade and other payables	128,533	285,043	268,823	203,798
Amount due to Remaining Group	951,740	493,023	305,733	735,427
Loan from shareholders of Lingbao Gold	23,800	23,800	13,800	13,800
Current tax payable	1,514	11,087	6,787	3,831
	1,254,876	978,590	960,064	1,281,777
Net current (liabilities)/assets	(393,547)	(4,412)	521,246	486,042

		31 December		30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets less current liabilities	349,645	813,378	1,521,447	1,572,115
Non-current liabilities				
Bank and other borrowings	—	355,000	315,000	290,000
Other payables	9,200	8,589	12,259	13,056
	9,200	363,589	327,259	303,056
NET ASSETS	340,445	449,789	1,194,188	1,269,059
Share capital	180,000	180,000	680,000	680,000
Reserves	160,445	269,789	266,538	341,536
Total equity attributable to equity holder of the Disposal Group	340,445	449,789	946,538	1,021,536
Non-controlling interests	—	—	247,650	247,523
TOTAL EQUITY	340,445	449,789	1,194,188	1,269,059

Unaudited Consolidated Statements of Changes in Equity

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018
(Expressed in Renminbi)

	Attributable to equity holder of the Disposal Group					
	Share capital	PRC statutory reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2015	180,000	12,801	109,112	301,913	—	301,913
Profit and total comprehensive income for the year	—	—	38,532	38,532	—	38,532
Appropriation to reserves	—	4,498	(4,498)	—	—	—
Balance as at 31 December 2015 and 1 January 2016	180,000	17,299	143,146	340,445	—	340,445
Profit and total comprehensive income for the year	—	—	109,344	109,344	—	109,344
Appropriation to reserves	—	11,800	(11,800)	—	—	—
Balance at 31 December 2016 and 1 January 2017	180,000	29,099	240,690	449,789	—	449,789
Profit and total comprehensive income for the year	—	—	258,170	258,170	(2,350)	255,820
Capital contribution from Lingbao Gold	500,000	—	—	500,000	—	500,000
Turning other investment into a subsidiary	—	—	—	—	215,000	215,000
Capital contribution from non-controlling interests	—	—	—	—	35,000	35,000
Appropriation to reserves	—	26,536	(26,536)	—	—	—
Dividends distributed	—	—	(261,421)	(261,421)	—	(261,421)
Balance at 31 December 2017	680,000	55,635	210,903	946,538	247,650	1,194,188
Balance at 1 January 2017	180,000	29,099	240,690	449,789	—	449,789
Profit and total comprehensive income for the period	—	—	70,198	70,198	—	70,198
Balance at 30 April 2017	180,000	29,099	310,888	519,987	—	519,987
Balance at 1 January 2018	680,000	55,635	210,903	946,538	247,650	1,194,188
Profit and total comprehensive income for the period	—	—	74,998	74,998	(127)	74,871
Balance at 30 April 2018	680,000	55,635	285,901	1,021,536	247,523	1,269,059

Unaudited Consolidated Cash Flow Statements

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2017 and 2018

(expressed in Renminbi)

	Year Ended 31 December			Four Months Ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities					
Profit before taxation	43,898	126,890	298,603	82,562	85,776
Adjustments for:					
— Interest income	(3,167)	(1,724)	(2,644)	(871)	(2,841)
— Net realised and unrealised (gains)/loss on financial instruments at fair value	(676)	—	1,968	—	(523)
— Net loss on disposal of property, plant and equipment	42	2,371	2,101	—	—
— Depreciation	59,687	59,604	64,547	21,118	21,756
— Finance costs	16,856	29,224	47,132	12,701	16,226
— Provision/(reversal) of impairment losses on trade and other receivables	38,153	30,088	(2,634)	104	(1,668)
— Amortisation of lease prepayments	919	1,046	2,436	611	691
— Write down of inventories	731	1,243	1,012	1,360	3,153
Operating profit before changes in working capital	156,443	248,742	412,521	117,585	122,570
(Increase)/decrease in inventories	(16,917)	48,540	(116,499)	(53,645)	(12,928)
(Increase)/decrease in trade and other receivables	(58,489)	(984)	(48,819)	(112,441)	64,823
Increase in amount due from Remaining Group	—	—	(250,860)	—	(17,787)
Increase/(decrease) in trade and other payables	52,432	128,701	(32,329)	(107,100)	(67,760)
Increase/(decrease) in amount due to Remaining Group	57,235	(458,717)	(187,290)	(31,479)	3,037
Decrease/(increase) in pledged deposits	13,124	(16,789)	8,016	(2,000)	(104,490)
Cash generated from/(used in) operating activities	203,828	(50,507)	(215,260)	(189,080)	(12,535)
PRC income tax paid	(11,868)	(11,479)	(50,123)	(9,663)	(13,141)
Net cash generated from/(used in) operating activities	191,960	(61,986)	(265,383)	(198,743)	(25,676)

	Year Ended 31 December			Four Months Ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Investing activities					
Interest received	3,167	1,724	2,644	871	1,028
Proceeds/(payment) from settlement of financial instruments	541	—	(1,968)	—	523
Payment for purchase of property, plant and equipment	(17,268)	(62,598)	(34,886)	(3,563)	(3,845)
Proceeds from disposal of property, plant and equipment	426	1,485	70	—	—
Payment for construction in progress	(25,463)	(26,626)	(1,363)	(1,161)	(101,090)
Proceeds from disposal of other investments	—	—	15,000	—	—
Payment for purchase of other investments	—	(30,000)	—	—	—
Net cash inflow from turning other investment into a subsidiary	—	—	9,657	—	—
Advance to Remaining Group	—	—	—	—	(204,062)
Net cash used in investing activities	(38,597)	(116,015)	(10,846)	(3,853)	(307,446)
Financing activities					
Proceeds from new bank loans	189,289	535,637	324,921	130,000	80,000
Repayment of bank loans	(335,357)	(164,289)	(165,637)	(95,000)	(145,000)
Repayment of a loan from shareholders of Lingbao Gold	—	—	(10,000)	(10,000)	—
Advance from Remaining Group	—	—	—	—	426,656
Capital contribution from Lingbao Gold	—	—	500,000	—	—
Capital contribution from non-controlling interests	—	—	35,000	—	—
Interest paid	(15,124)	(19,072)	(50,629)	(10,759)	(17,594)
Pledged deposits released/(placed) for borrowings	36,000	(1,680)	(241,753)	—	(62,494)
Dividends distributed	—	—	(261,421)	—	—
Net cash (used in)/generated from financing activities	(125,192)	350,596	130,481	14,241	281,568
Net increase/(decrease) in cash and cash equivalents	28,171	172,595	(145,748)	(188,355)	(51,554)
Cash and cash equivalents at the beginning of the year/period	51,944	80,115	252,710	252,710	106,962
Cash and cash equivalents at the end of the year/period	80,115	252,710	106,962	64,355	55,408

Notes to the Unaudited Consolidated Financial Information of the Disposal Group

1 General information

On 12 August 2018, Lingbao Gold Group Company Limited (the "**Company**" or "**Lingbao Gold**") entered into an agreement (the "**Agreement**") with Shenzhen Londian Electrics Co., Ltd. ("**Shenzhen Londian**"). Pursuant to the Agreement, the Company agreed to sell, and Shenzhen Londian agreed to acquire, the Company's 100% equity interests in Lingbao Wason Copper-Foil Company Limited ("**Wason**") and its subsidiaries (referred thereafter as the "**Disposal Group**"). The Group, excluding the Disposal Group is referred to as the "Remaining Group".

At 30 April 2018, the particulars of the subsidiaries of Wason are set out below:

Name of subsidiary	Place and date of establishment	Issued/paid-in capital	Principal activities
Lingbao Hongyu Electronics Company Limited ("**Hongyu Electronics**") (鴻宇電子)	Lingbao the PRC 25 September 2012	RMB30,000,000	Processing of copper products
Lingbao Baoxin Electronic Technology Company Limited ("**Baoxin Electronic**") (寶鑫電子)	Lingbao the PRC 10 November 2015	RMB535,000,000	Processing of copper products

The Unaudited Consolidated Financial Information is presented in Renminbi.

2 Basis of preparation of the Unaudited Consolidated Financial Information

The unaudited consolidated financial information of the Disposal Group comprising the consolidated statements of financial position of the Disposal Group as at 31 December 2015, 2016, 2017 and 30 April 2018, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2017 and 2018 (the "**Relevant Periods**") and explanatory notes (the "**Financial Information**") has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**"), and solely for the purpose of inclusion in this circular to be issued by the Company in connection with the proposed disposal of 100% equity interest of Wason (the "**Disposal**").

The Financial Information has been prepared in accordance with the same accounting policies as those adopted by the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") in preparation of the consolidated financial statements of the Group for those respective years, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements of the Group. Details of any changes in accounting policies are set out in note 3. The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised), *Presentation of Financial Statements*, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

3 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective from 1 January 2018. Of these, the following developments are relevant to the Disposal Group's Financial Information:

- HKFRS 9, Financial instrument
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

None of these developments has had a material effect on how the Disposal Group's results and financial position for Relevant Periods have been prepared or presented in the Financial Information. The Disposal Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF LINGBAO GOLD GROUP COMPANY LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lingbao Gold Group Company Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2017, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated cash flow statement for the year ended 31 December 2017 and related notes as set out in Part A of Appendix III to the circular dated 31 August 2018 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of 100% equity interest of Lingbao Wason Copper-Foil Company Limited (the "**Disposal**") on the Group's financial position as at 31 December 2017 and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Disposal had taken place at 31 December 2017 and 1 January 2017, respectively. As part of this process, information about the Group's financial position as at 31 December 2017 and the Group's financial performance and cash flows for the year ended 31 December 2017 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2017 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 August 2018

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction to the unaudited pro forma financial information

The following is the unaudited pro forma financial information of the Remaining Group (as defined in the definition pages of the Circular), comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2017, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated cash flow statement for the year ended 31 December 2017 and related notes, which have been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effects of the proposed disposal of 100% equity interest of Lingbao Wason Copper-Foil Company Limited (the "**Disposal**") on the Group's financial position as at 31 December 2017 as if the Disposal had been completed on 31 December 2017, and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Disposal had been completed on 1 January 2017. Details of the Disposal are set out in the "Letter from the Board" contained in this Circular.

The unaudited pro forma financial information has been prepared for illustrative purposes only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its hypothetical nature, the unaudited pro forma financial information of the Remaining Group may not give a true picture of the financial position, financial performance or cash flows of the Remaining Group following the completion of the Disposal. Further, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Group's future financial position, financial performance or cash flows.

The unaudited pro forma financial information of the Remaining Group has been prepared based upon the consolidated statement of financial position of the Group as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and consolidated cash flow statement of the Group for the year ended 31 December 2017, which have been extracted from the published annual report of the Group for the year ended 31 December 2017 after taking pro forma adjustments as summarised in the accompanying notes that are directly attributable to the Disposal, factually supportable and clearly identified as to those have no continuing effect on the Group.

1. Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2017

	The Group	Pro Forma Adjustments				The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets						
Property, plant and equipment	2,111,998	(689,592)		(465)		1,421,941
Construction in progress	526,191	(201,034)				325,157
Intangible assets	730,398					730,398
Goodwill	7,302					7,302
Lease prepayments	209,660	(78,613)		(3,555)		127,492
Interest in associates	21,531					21,531
Other financial assets	10,504					10,504
Non-current prepayments	185,980	(16,449)				169,531
Deferred tax assets	187,299	(14,513)		(32,466)	(306)	140,014
Other non-current assets	33,361					33,361
	4,024,224					2,987,231
Current assets						
Inventories	1,375,052	(292,099)			2,044	1,084,997
Trade and other receivables, deposits and prepayments	1,204,982	(536,972)				668,010
Amount due from Disposal Group	—					—
Amount due from Remaining Group	—	(250,860)	250,860			—
Assets classified as held for sale	5,423					5,423
Current tax recoverable	6,601					6,601
Pledged bank deposits	874,958	(294,417)				580,541
Cash and cash equivalents	455,427	(106,962)	54,873	2,769,100		3,172,438
	3,922,443					5,518,010
Current liabilities						
Bank and other borrowings	3,380,986	(364,921)				3,016,065
Trade and other payables	1,499,349	(268,823)		4,137		1,234,663
Amount due to Disposal Group	—					—
Amount due to Remaining Group	—	(305,733)	305,733			—
Loan from shareholders	13,800	(13,800)				—
Current tax payable	7,227	(6,787)		147,941		148,381
	4,901,362					4,399,109
Net current (liabilities)/assets	(978,919)					1,118,901
Total assets less current liabilities	3,045,305					4,106,132

	The Group	Pro Forma Adjustments				The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current liabilities						
Bank and other borrowings	1,512,425	(315,000)				1,197,425
Other payables	144,860	(12,259)				132,601
Deferred tax liabilities	4,658					4,658
	1,661,943					1,334,684
NET ASSETS	1,383,362					2,771,448
CAPITALAND RESERVES						
Share capital	154,050					154,050
Reserves	1,069,881			1,633,998	1,738	2,705,617
Total equity attributable to equity shareholders of the Company	1,223,931	(946,538)				2,859,667
Non-controlling interests	159,431	(247,650)				(88,219)
TOTAL EQUITY	1,383,362					2,771,448

2. Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the year ended 31 December 2017

	The Group	Pro Forma Adjustments			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 6*	*Note 7*	*Note 5*	
Revenue	5,911,096	(1,734,524)		48,411	4,224,983
Cost of sales	(5,125,119)	1,264,125		(54,323)	(3,915,317)
Gross profit	785,977				309,666
Other revenue	40,677	(5,545)			35,132
Other net (loss)/income	(41,956)	5,984	2,342,475		2,306,503
Selling and distribution expenses	(48,127)	40,778			(7,349)
Administrative expenses and other operating expenses	(378,617)	83,447			(295,170)
Profit from operations	357,954				2,348,782
Finance costs	(246,648)	47,132			(199,516)
Profit before taxation	111,306				2,149,266
Income tax	(60,668)	42,783	(306,128)	887	(323,126)
Profit for the year	50,638				1,826,140
Attributable to:					
Equity shareholders of the Company	79,834	(258,170)	2,036,347	(5,025)	1,852,986
Non-controlling interests	(29,196)	2,350			(26,846)
Profit for the year	50,638				1,826,140

3. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2017

	The Group	Pro Forma Adjustments			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 6*	*Note 7*	*Note 5*	
Profit for the year	50,638	(255,820)	2,036,347	(5,025)	1,826,140
Other comprehensive income for the year (after tax and reclassification adjustments)					
Exchange differences on translation of financial statements of overseas subsidiaries	31,120				31,120
Total comprehensive income for the year	81,758				1,857,260
Equity shareholders of the Company	104,787	(258,170)	2,036,347	(5,025)	1,877,939
Non-controlling interests	(23,029)	2,350			(20,679)
Total comprehensive income for the year	81,758				1,857,260

4. Unaudited pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2017

	The Group	Pro Forma Adjustments					The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 8*	*Note 3*	*Note 7*	*Note 5*	*Note 9*	
Operating activities							
Profit before taxation	111,306	(298,603)		2,342,475	(5,912)		2,149,266
Adjustment for:							
— Interest income	(28,238)	2,644					(25,594)
— Net realised and unrealised loss on financial instruments at fair value	22,243	(1,968)					20,275
— Net gain on sale of the Disposal Group	—			(2,342,475)			(2,342,475)
— Net loss on disposal of property, plant and equipment and intangible assets	2,866	(2,101)					765
— Depreciation	234,244	(64,547)					169,697
— Finance costs	246,648	(47,132)					199,516
— (Reversal)/provision of impairment losses on:							
— trade and other receivables	(422)	2,634					2,212
— purchase deposits	(7,212)						(7,212)
— construction in progress	—						—
— intangible assets	—						—
— Amortisation of lease prepayments	7,198	(2,436)					4,762
— Amortisation of intangible assets	12,859						12,859
— Write down of inventories	9,332	(1,012)					8,320
— Foreign exchange differences	(15,233)						(15,233)
Operating profit before changes in working capital	595,591						177,158
Increase in inventories	(245,819)	116,499			5,912		(123,408)
Increase in pledged deposits	(204,421)	(8,016)					(212,437)
Increase in trade and other receivables, deposits and prepayments	(197,009)	48,819					(148,190)
Increase in Amount due from Remaining Group	—	250,860	(250,860)				—
Increase in trade and other payables	325,965	32,329					358,294
Increase in Amount due to Remaining Group	—	187,290	305,733				493,023
Cash generated from operations	274,307	215,260					544,440
PRC income tax paid	(62,831)	50,123					(12,708)
Net cash generated from operating activities	211,476						531,732

	The Group	Pro Forma Adjustments					The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 8*	*Note 3*	*Note 7*	*Note 5*	*Note 9*	
Investing activities							
Interest received	28,238	(2,644)					25,594
Payment for settlement of financial instruments	(14,962)	1,968					(12,994)
Payment for purchase of property, plant and equipment	(68,086)	34,886					(33,200)
Proceeds from disposal of property, plant and equipment	1,639	(70)					1,569
Payment for construction in progress	(23,924)	1,363					(22,561)
Payment for purchase of intangible assets	(49,299)						(49,299)
Net cash inflow from turning other investment into a subsidiary	9,657	(9,657)					—
Payment for investments in associates	(12,931)						(12,931)
Proceeds from disposal of other investments	15,000	(15,000)					—
Proceeds from sale of the Disposal Group	—			2,558,197			2,558,197
Net cash (used in)/generated from investing activities	(114,668)						2,454,375
Financing activities							
Proceeds from new bank loans	3,006,987	(324,921)					2,682,066
Repayment of bank loans	(3,131,300)	165,637					(2,965,663)
Repayment of loan from shareholders	(10,000)	10,000					—
Proceeds from cash-settled written put option	50,000						50,000
Capital contribution from controlling shareholders	—	(500,000)					(500,000)
Capital contribution from non-controlling interests	35,000	(35,000)					—
Interest paid	(237,640)	50,629					(187,011)
Pledged deposits placed for borrowings	(514,715)	241,753					(272,962)
Dividend paid to equity shareholders of the Company	—	261,421				(261,421)	—
Net cash used in financing activities	(801,668)						(1,193,570)
Net (decrease)/increase in cash and cash equivalents	(704,860)	145,748	54,873	2,558,197		(261,421)	1,792,537
Cash and cash equivalents at 1 January	1,164,569	(252,710)				240,690	1,152,549
Effect of foreign exchange rate changes	(4,282)						(4,282)
Cash and cash equivalents at 31 December	455,427	(106,962)					2,940,804

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

1. The amounts are extracted from the published annual report of the Group as at and for the year ended 31 December 2017.

2. The adjustments represent the exclusion of assets and liabilities of the Disposal Group as if the Disposal had taken place on 31 December 2017. The assets and liabilities of the Disposal Group as at 31 December 2017 were extracted from the unaudited consolidated statement of financial position of the Disposal Group as set out in Appendix II to this Circular.

3. Pursuant to the Equity Transfer Agreement, the outstanding intercompany balance between the Remaining Group and the Disposal Group as of completion date of the Disposal Group's industrial and commercial registration should be settled within 2 to 4 months. The adjustments represent settlement of the outstanding intercompany balances between the Remaining Group and the Disposal Group.

   This adjustment does not have a continuing effect on the Remaining Group.

4. The adjustments represent i) the consideration received from the Disposal by way of cash of RMB2,558 million; ii) retained profits of the Disposal Group totalling RMB210.9 million as at 31 December 2017 that will be declared and paid to the Remaining Group pursuant to the Equity Transfer Agreement as if the Disposal had taken place on 31 December 2017; iii) exclusion of fair value adjustment on lease prepayments, property, plant and equipment attributable to the Disposal Group arising from the acquisition of the Disposal Group on 24 March 2008; iv) estimated transaction costs directly attributable to the Disposal of approximately RMB4.1 million; v) the estimated gain on the Disposal as if the Disposal had taken place on 31 December 2017.

The calculation of estimated gain arising from the Disposal as if the Disposal had taken place on 31 December 2017 is as follows.

	Note	*RMB'000*
Consideration	(i)	2,558,197
Add:		
Retained profits of the Disposal Group attributable to the Remaining Group	(ii)	210,903
Less:		
Net assets of the Disposal Group as at 31 December 2017 attributable to the shareholders	(iii)	(946,538)
Fair value adjustment on lease prepayments, property, plant and equipment attributable to the Disposal Group, net of related deferred tax impact	(iv)	(2,486)
Estimated transaction costs directly attributable to the Disposal		(4,137)
Estimated gain on the Disposal		1,815,939
Estimated tax effects in relation with the gain on the Disposal calculated at the applicable tax rates	(v)	(181,941)
Net effect on the profit for the year		1,633,998

Notes:

(i) This represents the total consideration of the Disposal of RMB2,558 million in accordance with the Equity Transfer Agreement.

(ii) Pursuant to the Equity Transfer Agreement, all of the retained profit of the Disposal Group before the completion of the Disposal is attributable to the Remaining Group. The amount represented the retained profit of the Disposal Group of RMB210.9 million which is attributable and to be declared and paid to the Remaining Group upon the completion of the Disposal as if the Disposal had taken place on 31 December 2017.

(iii) The amount of net assets of the Disposal Group was extracted from the unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2017 as set out in Appendix II to this Circular.

(iv) This represents the carrying amount of the fair value adjustments on lease prepayments, property, plant and equipment attributable to the Disposal Group arising from the acquisition of the Disposal Group on 24 March 2008, which was accounted for in accordance with HKFRS3 Business Combination and was derecognised upon the Disposal as if the Disposal had taken place on 31 December 2017.

(v) This represents estimated tax effects in relation to the gain on the Disposal, taking into account utilisation of accumulated tax losses and the impact from non-taxable profits.

The actual financial effects of the Disposal may be different from the amount described above and would be subject to the carrying amount of net assets of the Disposal Group, the carrying amount of the retained profits attributable to the Disposal Group and the carrying amount of the fair value adjustments on lease prepayments, property, plant and equipment attributable to the Disposal Group at the completion date, and the tax expenses in relation to the Disposal and are therefore subject to change upon the actual completion of the Disposal.

5. The adjustments represent restatement of intercompany transactions and relevant unrealised profits between the Remaining Group and the Disposal Group which were eliminated in the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

6. The adjustments represent the exclusion of the results of the Disposal Group for the year ended 31 December 2017 as if the Disposal had taken place on 1 January 2017. The amounts are extracted from the unaudited consolidated statement of profit or loss of the Disposal Group for the year ended 31 December 2017 as set out in Appendix II to this Circular.

7. The adjustments represent i) the consideration received from the Disposal by way of cash of RMB2,558 million; ii) retained profits of the Disposal Group totalling RMB240.7 million as at 1 January 2017 that will be declared and paid to the Remaining Group pursuant to the Equity Transfer Agreement as if the Disposal had taken place on 1 January 2017; iii) exclusion of fair value adjustment on lease prepayments, property, plant and equipment attributable to the Disposal Group arising from the acquisition of the Disposal Group on 24 March 2008; iv) estimated transaction costs directly attributable to the Disposal of approximately RMB4.1 million; v) the estimated gain on the Disposal as if the Disposal had taken place on 1 January 2017.

The calculation of estimated gain arising from the Disposal as if the Disposal had taken place on 1 January 2017 is as follows.

	Note	*RMB'000*
Consideration	(i)	2,558,197
Add:		
Retained profits of the Disposal Group attributable to the Remaining Group	(ii)	240,690
Less:		
Net assets of the Disposal Group as at 1 January 2017 attributable to the shareholders	(iii)	(449,789)
Fair value adjustment on lease prepayments, property, plant and equipment attributable to the Disposal Group, net of related deferred tax impact	(iv)	(2,486)
Estimated transaction costs directly attributable to the Disposal		(4,137)
Estimated gain on the Disposal		2,342,475
Estimated tax effects in relation with the gain on the Disposal calculated at the applicable tax rates	(v)	(306,128)
Net effect on the profit for the year		2,036,347

Notes:

(i) This represents the total consideration of the Disposal of RMB2,558 million in accordance with the Equity Transfer Agreement.

(ii) Pursuant to the Equity Transfer Agreement, all of the retained profit of the Disposal Group before the completion of the Disposal is attributable to the Remaining Group. The amount represented the retained profit of the Disposal Group of RMB240.7 million which is attributable and to be declared and paid to the Remaining Group upon the completion of the Disposal as if the Disposal had taken place on 1 January 2017.

(iii) The amount of net assets of the Disposal Group was extracted from the unaudited consolidated statement of profit or loss of the Disposal Group as at 31 December 2016 as set out in Appendix II to this Circular.

(iv) This represents the carrying amount of the fair value adjustments on lease prepayments, property, plant and equipment attributable to the Disposal Group arising from the acquisition of the Disposal Group on 24 March 2008, which was accounted for in accordance with HKFRS3 Business Combination and was derecognised upon the Disposal as if the Disposal had taken place on 1 January 2017.

(v) This represents estimated tax effects in relation to the gain on the Disposal, taking into account utilisation of accumulated tax losses and the impact from non-taxable profits.

The actual financial effects of the Disposal may be different from the amount described above and would be subject to the carrying amount of net assets of the Disposal Group, the carrying amount of the retained profits attributable to the Disposal Group and the carrying amount of the fair value adjustments on lease prepayments, property, plant and equipment attributable to the Disposal Group at the completion date, and the tax expenses in relation to the Disposal and are therefore subject to change upon the actual completion of the Disposal.

8. The adjustments represent the exclusion of cash flows of the Disposal Group for the year ended 31 December 2017 as if the Disposal had taken place on 1 January 2017. The amounts are extracted from the unaudited consolidated cash flow statement of the Disposal Group for the year ended 31 December 2017 as set out in Appendix II to this Circular.

9. The adjustments represent:

   i) the receipt of the retained profit attributable to the Remaining Group of RMB240.7 million as if the Disposal had taken place on 1 January 2017.

   ii) the exclusion of the dividend of RMB261.4 million declared and paid by the Disposal Group to the Remaining Group during the year ended 31 December 2017. Had the Disposal been completed on 1 January 2017, the retained profits attributable to the Remaining Group would be RMB240.7 million and will be declared and paid on 1 January 2017.

10. No adjustments have been made to reflect any trading results or other transaction of the Group entered into subsequent to 31 December 2017.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent valuer, in connection with its valuation of the 100% equity interest in Lingbao Wason Copper-Foil Company Ltd. as at 30 April 2018.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

31 August 2018

The Directors
Lingbao Gold Group Company Ltd.
Suite 2602, 26/F
Sino Plaza
255–257 Gloncester Road
Causeway Bay
Hong Kong

Dear Sirs,

Re: Valuation of the 100% equity interest in Lingbao Wason Copper-Foil Company Ltd.

In accordance with the instructions from Lingbao Gold Group Company Ltd. (hereinafter referred to as the "**Company**") to us to conduct a valuation of the 100% equity interest in Lingbao Wason Copper-Foil Company Ltd. (referred to as "**Lingbao Wason**"), a wholly owned subsidiary of the Company, we are pleased to report that we have carried out inspections, made relevant enquiries and obtained necessary information for the purpose of providing our valuation as at 30 April 2018 (hereinafter referred to as the "**Valuation Date**").

This report states the purpose and basis of valuation, scope of work, company background, industry overview, source of information, major assumptions, valuation methodology, limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

The purpose of this valuation is to value the 100% equity interest in Lingbao Wason for your disposal reference purpose only.

We assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If any party chooses to rely in any way on the contents of this report, they do so entirely at their own risk.

2. BASIS OF VALUATION

We have carried out the valuation on the basis of market value in accordance with the International Valuation Standards. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

3. SCOPE OF WORK

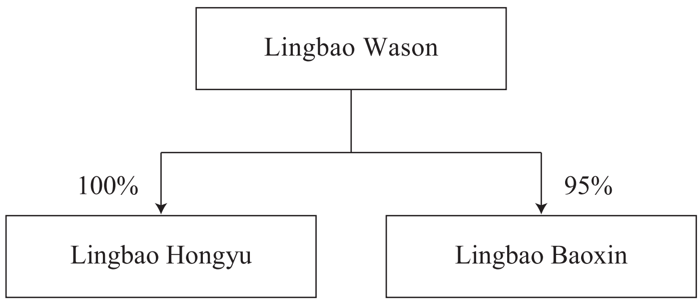
Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and/or its representatives (together referred to as the "**Management**").

In the course of our valuation work, the following processes had been conducted to evaluate the reasonableness of the adopted basis and assumptions provided by the Management:

- Discussed with the Management and obtained relevant financial information in respect of Lingbao Wason;
- Examined the relevant information in respect of Lingbao Wason provided by the Management;
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Presented the purpose and basis of valuation, scope of work, company background, industry overview, source of information, major assumptions, valuation methodology and our opinion of value in this report.

4. COMPANY BACKGROUND

Lingbao Wason has been established since 2001. It is principally engaged in manufacturing and sale of copper-foil. After over a decade of development, Lingbao Wason becomes one of the high-end electrolytic copper foil manufacturer in the PRC. Its two investments are Lingbao Hongyu Electronics Company Limited (referred to as Lingbao Hongyu) and Lingbao Baoxin Electronic Technology Company Limited (referred to as "**Lingbao Baoxin**"). The corporate structure of Lingbao Wason was as follows:



5. INDUSTRY OVERVIEW

Introduction of copper foil

Copper foil is a foil form of copper that is usually ranged from 6 to 420 micro-meter in thickness, depending on the application specification. Copper foils are basic material that are widely used in the electronic industry such as printed circuit boards (PCBs), lithium batteries and so on. In general, copper foil can be classified into two categories: rolled copper foil and electrolytic copper foil.

Rolled copper foils are generally employed for high-energy, high-power applications such as printed circuits, electromagnetic shielding, and rechargeable batteries.

Currently, a large portion of the electrolytic copper foil produced is used for printed-wiring boards. Electrolytic copper foils are also employed for high-energy, low-power applications such as Li-ion batteries for laptops, cell phones, and consumer electronics. In Li-ion batteries, copper foils are used as negative-electrode current collectors.

Market updates of lithium electrolytic copper-foils

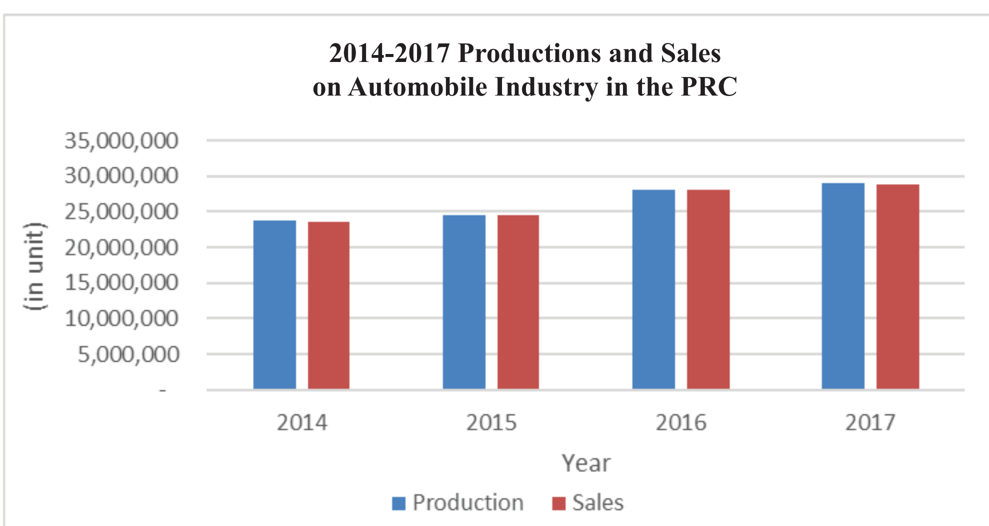
The PRC is becoming one of the major producers of lithium ion batteries, benefiting from the rapid development of the new energy automotive industry. According to statistics of 中商產業研究院 (ASKCI Consulting), production units of lithium ion batteries in the PRC in 2014 were 5.287 billion. In 2016, the annual production units of lithium ion batteries in the PRC reached 7.842 billion, about 200% increase by comparing with the production units of lithium ion batteries of 2.687 billion in 2010, and the compound annual growth rate was 19.54%.

The application shift from simple and low power to high tech and high power of lithium ion batteries can be easily found on the current development trend of lithium ion batteries in the PRC. Examples of these specific applications are small energy saving environmental electric vehicles, lithium batteries in electrical tools and mine lights. It can drive the growth in demand of lithium electrolytic copper-foil. The fact shows that the production volume of lithium electrolytic copper foil in the PRC was 31.5k tonnes in 2014 while the production volume of lithium electrolytic copper foil in the PRC reached 59k tonnes in 2016, representing a 87% volume increase in two years.

Market updates of standard and super-thick copper-foils

Standard and super-thick copper-foils have been widely applied to printed circuit board of different power according to their own thickness and technologies, where printed circuit board serves as the supporting and connecting components of electronic units. According to "2018–2024 Market Analysis and Opportunities of Printed Circuit Board Industry in the PRC" reported by 北京智研科信諮詢有限公司, the compound annual growth rate of printed circuit board production in the PRC between 2018 and 2024 is expected to be 3.5%. In 2020, the printed circuit board industry in the PRC is expected to reach US$3.11 billion. As electrolytic copper foil is the main material for printed circuit board, it will benefit from the growth of the printed circuit board market.

According to statistics of the China Association of Automobile Manufacturers, the productions and sales of automobile in the PRC set the records of 29,015,000 units and 28,879,000 units in 2017, representing growth rates of 3.2% and 3% respectively by comparing with those in 2016. By comparing with the production and sale units of automobile in the PRC from 2014 to 2017, the compound annual growth rate of production and sale of automobile are 6.9% and 7.1% respectively. As the major material of automobile printed circuit board, the electrolytic copper-foil market will maintain a healthy development as the automotive industry develops.



Source: China Association of Automobile Manufacturers

6. SOURCE OF INFORMATION

In arriving at our assessment of the value of the 100% equity interest in Lingbao Wason, we have relied on the following information that was provided to us by the Management, as well as other publicly available information that we have gathered through our own research, including, but not limited to, the following:

- Copies of business licenses and other relevant documents of Lingbao Wason;
- Audited financial statements of Lingbao Wason for the financial year ended 31 December 2017;
- Publicly available information on comparable companies;
- Financial information obtained from Bloomberg Terminal^{TM}; and
- Other public information relating to the valuation.

7. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The information provided has been prepared on a reasonable basis after due and careful consideration by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which Lingbao Wason operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be no major change in the current taxation laws in the localities in which Lingbao Wason operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which Lingbao Wason operates or intends to operate, which would adversely affect the revenues attributable to and profitability of Lingbao Wason;
- The core business operation of Lingbao Wason will not differ materially from those of present or expected; and
- The information regarding Lingbao Wason provided by the Management is true and accurate.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the 100% equity interest in Lingbao Wason, namely the market approach, the income approach and the cost approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Market Approach

The market approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. The market approach comprises two methods namely guideline (or comparable) company method and similar transaction method.

The guideline company method focuses on analyzing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. Finally, appropriate valuation multiples are applied to the subject company's normalized financial data to arrive at an indication of the value of the subject company.

The similar transaction method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When the similar transaction method is utilized, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. The application of the similar transaction method results in an estimate of the price reasonably expected to be realized from the sale of the company.

Income Approach

The income approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing a substitute asset with equal utility as the subject asset. Under the cost approach, the historical cost method measures the cost incurred through the development of the subject asset at the time it was developed; the replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset; and the replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that market approach is more appropriate for valuing the 100% equity interest in Lingbao Wason.

While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business. Income approach requires detailed financial forecast of Lingbao Wason in the projected period, which involves adoption of much more subjective assumptions than the other two approaches, not all of which can be easily quantified or ascertained. Thus, we consider market approach to be more appropriate for valuing the 100% equity interest in Lingbao Wason as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

In adopting the market approach, we consider that the guideline public company method is appropriate as we have identified sufficient public companies which are comparable in terms of business nature and scale. Therefore, we have used guideline public company method in this valuation.

Selection Criteria for Comparable Companies

In the valuation, we used the market approach by referring to companies engaging in copper foil business. Comparable companies were identified and selected from Bloomberg Terminal™ based on the following criteria:

1. The subject company is engaged in manufacturing of copper foil business;

2. The subject company was profitable in 2017; and

3. The subject company is a listed company.

Comparable Companies

An exhaustive list of four comparable companies (referred to as the "**Comparable Companies**") satisfying the above selection criteria were identified. Details of the Comparable Companies are as follows:

Company ticker	Company name	Description
ATECH IN Equity	Arcotech Limited	Arcotech Limited manufactures copper and copper alloy semis including strips, sheets, foils, bars, and rods.
8358 TT Equity	Co-Tech Development Corporation	Co-Tech Development Corporation provides electro-deposit copper foil for the copper clad laminate and print circuit board.
4989 TT Equity	LCY Technology Corp	LCY Technology Corp. (LCYT) manufactures and distributes copper foils. The Company produces reverse and double treated, low profile, and high bonding foils, and other products. LCYT serves customers in printed circuit board, copper foil substrate, and copper clad laminate industries in Taiwan.
1888 HK Equity	Kingboard Laminates Holdings Limited	Kingboard Laminates Holdings Limited operates as a vertically-integrated electronic materials manufacturing company. Its laminate products include glass epoxy laminates, paper laminates, and composite epoxy material laminates.

Source: Bloomberg Terminal^{TM}

Selection of Value Multiples

In this valuation task, we have considered various commonly used value multiples, including (i) price to earnings ("**P/E**"); (ii) price to sales ("**P/S**") and (iii) price to net book value ("**P/B**"). Based on the nature of the subject business, we consider that P/E multiple is the most appropriate in this valuation task and therefore have been adopted.

P/S multiple is commonly used in the valuation of start-up enterprises. However, it ignores the cost structure of a company and hence the profitability of a company, which is critical in reflecting the market value of the 100% equity interest in Lingbao Wason.

P/B multiple is usually adopted in the valuation of asset-intensive companies. However, it does not take into consideration of the profitability of a company.

We consider P/E multiple as the most relevant and therefore has been adopted in this valuation task as P/E is the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value.

P/E Multiples of the Comparable Companies

The P/E multiple of each of the Comparable Companies was arrived at based on the stock price as at the Valuation Date and the net profit for the year ended 31 December 2017. Details are listed below:

	Company ticker	Company name	P/E
1	ATECH IN Equity	Arcotech Limited	14.51
2	8358 TT Equity	Co-Tech Development Corporation	7.80
3	4989 TT Equity	LCY Technology Corp	7.84
4	1888 HK Equity	Kingboard Laminates Holdings Limited	8.62
		Average:	**9.69**

Source: Bloomberg Terminal ^{TM}

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In this valuation, we made reference to the study "Median P/E* Offered: Public vs. Private" published in Mergerstat Review and 25% is deemed to be sufficient to reflect the lack of marketability of the equity interest in Lingbao Wason.

Control Premium ("CP")

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of each of the identified comparable companies was on a minority stake of the subject company, therefore adjustment has been made to reflect the degree of control associated with a 100% equity interest in Lingbao Wason. In the valuation, we made reference to the study "Average Premium Offered*: Controlling vs. Minority" published in Mergerstat Review and 25% is deemed to be sufficient to reflect the control of the 100% equity interest in Lingbao Wason.

Applying the Average P/E Multiple, DLOM and CP to the Net Profit attributable to Shareholders of Lingbao Wason

The average P/E of the comparable companies was then applied to the net profit attributable to shareholders of Lingbao Wason for the year ended 31 December 2017, and adjusted with DLOM and CP, to arrive at the market value of the 100% equity interest in Lingbao Wason. Details are listed below:

Average P/E of the Comparable Companies:	9.69
Net profit attributable to shareholders of Lingbao Wason for the year ended 31 December 2017:	RMB258,170,000
Discount for lack of marketability	25%
Control premium	25%
Market value of 100% equity interest in Lingbao Wason:	**RMB2,340,000,000 (rounded)**

9. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management, including written information and oral representation, in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Neither the whole nor any part of this report or any reference hereto may be included in any published document, circular or statement, or published in any way, without our prior written approval of the form and context in which it may appear.

Finally and in accordance with our standard practice, we must state that this report and valuation are for the exclusive use only of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of its contents.

10. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, Lingbao Wason or the value reported herein.

11. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of the 100% equity interest in Lingbao Wason as at the Valuation Date is, in our opinion, reasonably estimated as **RMB2,340,000,000 (RENMINBI TWO BILLION THREE HUNDRED FORTY MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip CY Tsang
Registered Business Valuer registered with the Hong Kong Business Valuation Forum
MSc, MHKIS
Director, Valuation & Advisory Services

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Pakky Chan
CFA
Associate Director, Valuation & Advisory Services

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 facts 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, 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) 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)	32.69%	21.45%
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)	12.97%	8.50%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	Beneficial owner	57,000,000 (L)	10.05%	6.60%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, Chief Executive and Supervisors, no other person (other than the Directors, Chief Executive or Supervisors) 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, CONTRACTS AND/ OR ARRANGEMENTS

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 2017 (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 had 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, Supervisors 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) the Equity Transfer Agreement.

(b) An equity transfer agreement entered into between the Company and 北京中鑫澤匯投資有限公司 (Beijing Zhongxin Zehui Investment Company Limited[#]) ("**Beijing Zhongxin**") on 7 July 2017, pursuant to which the Company agreed to sell and Beijing Zhongxin agreed to acquire 60% equity interest in Lingbao Wason at a consideration of RMB637,240,463.33.

(c) A subscription agreement entered into between the Company and Everlasting Education Centre Pte. Ltd. on 7 November 2017 in relation to the issue of the H Share convertible bond in an aggregate principal amount of HK$76,000,000.

(d) A finance lease agreement entered into between the Company and 河南九鼎金融租賃股份有限公司 (Henan Jiuding Financial Leasing Co., Ltd.*) ("**Jiuding Financial Leasing**") on 29 December 2017, pursuant to which Jiuding Financial Leasing agreed to purchase certain mining pits and mining shafts from the Company for a consideration of RMB200 million and thereafter lease back to the Company for a period of 3 years.

(e) A subscription agreement entered into between the Company and 9 individual investors on 4 January 2018 in relation to allot and issue an aggregate of 94,000,000 new domestic shares at a price of RMB0.912 per shares.

(f) A subscription agreement entered into between the Company and Everlasting Education Centre Pte. Ltd. on 14 February 2018 in relation to issue an aggregate of 58,860,252 new H Share at a price of HK$1.276 per shares.

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
Anglo Chinese Corporate Finance, Limited	A corporation licensed to carry on 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
Cushman & Wakefield Limited	Independent professional valuer

Each of Anglo Chinese Corporate Finance, Limited, KPMG and Cushman & Wakefield Limited 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 Anglo Chinese Corporate Finance, Limited, KPMG and Cushman & Wakefield Limited 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 Anglo Chinese Corporate Finance, Limited, KPMG and Cushman & Wakefield Limited had no interest, directly or indirectly, in any assets which had since 31 December 2017 (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 registered address of the Company is situated at Hangu Road and Jingshan Road Intersection, Lingbao, Henan Province, the PRC.

(c) 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.

(d) The Company's H shares registrar is Computershare Hong Kong Investor Services Limited, which is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English language text of this circular 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 14 September 2018:

(a) the annual reports of the Company for the financial year ended 31 December 2015, 2016 and 2017;

(b) the report from KPMG on the review of the financial information of the Lingbao Wason Group as set out in Appendix II to this circular;

(c) the report from KPMG on the unaudited pro-forma financial information of the Remaining Group, as set out in Appendix III to this circular;

(d) the Valuation Report on Lingbao Wason as set out in Appendix IV to this circular;

(e) the written consents referred to in the paragraph head "Qualification and Consent of Expert" in this Appendix;

(f) the memorandum of association of the Company;

(g) a copy of each contract set out in the paragraph headed "Material Contracts" in this Appendix; and

(h) this circular.

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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 the extraordinary general meeting (the "**Meeting**") of Lingbao Gold Group Company Ltd. (the "**Company**") will be 3rd floor of the registered office of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC on Tuesday, 16 October 2018 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as a special resolution:

SPECIAL RESOLUTION

"**THAT**

(a) the equity transfer agreement dated 12 August 2018 (the "**Equity Transfer Agreement**") entered into between the Company and Shenzhen Londian Electrics Co., Ltd. (深圳龍電電氣股份有限公司) (the "**Purchaser**") in relation to the disposal by the Company of 100% of the equity interest in 靈寶華鑫銅箔有限責任公司 (Lingbao Wason Copper-Foil Company Ltd.) ("**Lingbao Wason**") to the Purchaser (a copy of the Equity Transfer Agreement is marked "A" and produced to this meeting and signed by the chairman of the meeting for identification purposes) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and

(b) any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised to do all such acts and things and execute all such documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps which he/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Equity Transfer Agreement and the transactions contemplated thereunder."

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

Henan, the PRC, 31 August 2018

As at the date of this notice, the Board 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.

Notes:

1. The register of members of the Company will be closed from Friday, 14 September 2018 to Tuesday, 16 October 2018 (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, 13 September 2018.

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, 14 September 2018 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. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjourned meeting thereof (as the case may be), the more senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4. In order to be valid, the proxy form must be deposited by hand or post, for holders of H Shares, 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, to the registered address of the Company not less than 24 hours before the time for holding the EGM or any adjournment thereof. 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.

5. Shareholders or their proxies shall produce their identity documents when attending the meeting.

6. Shareholders who intend to attend the EGM should complete and return the reply slip and return it by hand or by post to the 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, 26 September 2018.

7. The registered office address of the Company is as follows:

   Hangu Road and Jingshan Road Intersection
   Lingbao
   Henan
   The People's Republic of China
   Tel: +86 398 8862218
   Fax: +86 398 8860166

8. The EGM is expected to take half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.

9. The Board confirms that there is no other matter which should be brought to the attention of the shareholders.

10. All resolutions as set out above will be determined by way of poll.

11. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.