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 licensed securities dealer, bank manager, solicitor, professional accountant or other appropriate independent professional adviser.

If you have sold or transferred all your shares in Hua Yi Copper Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Hua Yi Copper Holdings Limited.

HUA YI COPPER HOLDINGS LIMITED

華藝礦業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 559)

(1) MAJOR TRANSACTION — INVESTMENT IN WINE TRADING AND DISTRIBUTION BUSINESS INVOLVING THE ISSUE OF THE CONVERTIBLE PREFERENCE SHARES;
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED CHANGE OF COMPANY NAME;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting ("**SGM**") of the Company to be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on 4 March 2013 is set out on pages 124 to 127 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

* *for identification purposes only*

8 February 2013

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

"Acquisition"	the proposed acquisition of the entire issued share capital of the Target Company under the Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Agreement"	the agreement dated 1 November 2012 entered into between the Investor as purchaser, the Company as the Investor's holding company, the Counterparty as vendor, and the Guarantor as guarantor in relation to the sale and purchase of the entire issued share capital of the Target Company
"Announcement"	the announcement issued by the Company dated 4 November 2012 in relation to, among others, the Acquisition
"associates"	as defined in the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	day(s) (not a Saturday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
"BVI"	the British Virgin Islands
"Change of Company Name"	the proposed change of the name of the Company from "Hua Yi Copper Holdings Limited" to "Guocang Group Limited" and the proposed adoption of "國藏集團有限公司" as the secondary name of the Company to replace "華藝礦業控股有限公司", which is currently used for identification purposes only
"Company"	Hua Yi Copper Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (Stock code: 559)
"Completion"	completion of the sale and purchase of the Sale Share pursuant to the Agreement
"Completion Date"	the date which is the seventh (7th) Business Day after the date on which the conditions precedent under the Agreement are satisfied or waived or such other date as the Counterparty and the Investor may agree in writing

"Consideration Shares"	1,238,095,238 new Shares previously agreed to be allotted and issued to the Counterparty or its nominee(s) as settlement of the whole consideration under the Agreement
"Convertible Preference Shares"	a total of 1,238,095,238 unlisted convertible preference shares of the notional value of HK$0.21 each in the share capital of the Company with rights attached thereto as set out in the paragraph headed "The Convertible Preference Shares" herein to be allotted to the Counterparty or its nominee(s) as settlement of the whole consideration under the Agreement
"Conversion Price"	subject to adjustments, the initial conversion price at which one Convertible Preference Share is convertible into one Conversion Share
"Conversion Share(s)"	the new Share(s) credited as fully paid to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Preference Shares
"Cooperation Agreement(s)"	the agreement(s) in relation to the formation of the JV Company entered into between Guocang Wine Merchant and each of the Distributors
"Counterparty"	Goldsure Limited (金信有限公司), a company incorporated under the laws of the BVI and the ultimate beneficial owner is the Guarantor
"Director(s)"	director(s) of the Company
"Distribution"	the distribution throughout the PRC of certain types of wine products under the wine brand, 五糧液 (in English, for identification purpose only, Wuliangye)
"Distributor(s)"	the provincial distributor(s) who will enter the Cooperation Agreements with Guocang Wine Merchant to form the JV Companies and are Independent Third Parties
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Escrow Agent"	the escrow agent to be engaged by the Investor, the Company and the Counterparty at Completion in respect of the escrow arrangement of the share certificate(s), the blank instruments of transfer and contract notes executed by the Counterparty or its nominee(s) in respect of the Convertible Preference Shares

"Exclusive Distribution"	the exclusive distribution of wine brand, 五糧液釀神, excluding Niangshen 101 series (in English, for identification purpose only, Wuliangye Niangshen) in the PRC
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. 唐通 (in English, for identification purpose only, Mr. Tang Tong), who is sole ultimate beneficial owner of the Counterparty
"Guocang Wine Merchant"	國藏酒莊有限公司 (in English, for identification purpose only, Guocang Wine Merchant Company Limited) established in Sichuan, the PRC on 26 September 2012 and is a private limited company
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Company"	Guo Cang Holdings Limited (國藏控股有限公司), a limited company incorporated in Hong Kong (as the intermediate holding company of WFOE) which is wholly-owned by the Target Company and has an authorised share capital of HK$10,000,000 divided into 10,000,000 shares of HK$1.00 each, all of which will be issued to and fully paid up by the Target Company
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Investor"	Max June Limited (萬津有限公司), a company incorporated under the laws of the BVI and is wholly-owned by the Company as at the Latest Practicable Date
"JV Companies"	a number of joint venture companies to be established in various provinces of the PRC and owned as to 55% by Guocang Wine Merchant and 45% by the Distributor(s)
"Last Trading Day"	1 November 2012, the trading day immediately preceding the date of the announcement of the Company dated 4 November 2012 regarding the Acquisition

"Latest Practicable Date"	5 February 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2013 or such later date to be agreed between the Investor and the Counterparty in writing
"Memorandum of Understanding"	a non-legally binding memorandum of understanding entered into on 4 October 2012 between the Investor and the Counterparty in relation to the Acquisition
"Net Profit"	the net profit of the Target Group after tax calculated on a consolidated basis for the financial year ending 31 December 2013
"Niangshen Distribution Agreement"	the distribution agreement dated 21 October 2012 entered into between Guocang Wine Merchant and Sichuan Wugu Niangshen in respect of the Exclusive Distribution
"Payment Date"	the date on which the Convertible Preference Shares are released to the Counterparty or its nominee(s) in accordance with the terms of the Agreement, which is a date on or before the expiry of the 3-month period from the date of issuing relevant audited consolidated financial statements of the Target Group
"PRC"	the People's Republic of China, for the purposes of this circular and for geographical reference only, excludes Taiwan, the Macao Special Administrative Region and Hong Kong
"SAFE"	the State Administration of Foreign Exchange of the PRC
"Sale Share"	the issued one (1) ordinary share of a par value of US$1.00 each in the capital of the Target Company legally and beneficially owned and held by and registered in the name of the Counterparty
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company
"Share(s)"	ordinary share(s) of HK$0.05 each of the Company

"Shareholders"	the shareholders of the Company
"Sichuan Wugu Niangshen"	四川五穀釀神酒業集團有限公司 (in English, for identification purpose only, Sichuan Wugu Niangshen Wine Group Limited), a company incorporated in the PRC with limited liability and owned by the Independent Third Parties, the supplier of the wine products under the Wuliangye Niangshen Liquor Series to the Target Group in the PRC and party to the Niangshen Distribution Agreement
"sq. m"	square-meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Store(s)"	the store(s) under the name of "國藏酒莊" (in English, for identification purpose only, Guocang Wine Store) and to be signed up for the sale of the wine products distributed by Guocang Wine Merchant including but without limitation the wine brands under the rights of Distribution and Exclusive Distribution
"Supplemental Agreement"	the agreement entered into between the Investor, the Company, the Counterparty and the Guarantor on 23 January 2013 to vary and amend certain terms and conditions of the Agreement
"Takeovers Code"	The Hong Kong Code of Takeovers and Mergers
"Target Company"	Total Grand Investments Limited (顯赫投資有限公司), a company incorporated under the laws of the BVI and the entire issued share capital of which is held by the Counterparty as at the Latest Practicable Date
"Target Group"	the Target Company, the Hong Kong Company and the WFOE for the time being; the Target Company, the Hong Kong Company, the WFOE and Guocang Wine Merchant and its subsidiaries including 55% equity interests in the JV Companies upon completion of the Target Group Corporate Reorganisation and from time to time
"Target Group Corporate Reorganisation"	the corporate restructuring to be conducted by the Target Group which includes the acquisition of the WFOE and Guocang Wine Merchant and formation of the JV Companies
"Total Grand Group"	the Target Company, the Hong Kong Company and the WFOE for the time being

"Total Net Profits"	the total net profits of the Target Group after tax calculated on a consolidated basis for the financial years ending 31 December 2013, 2014 and 2015
"Warranties"	the warranties, representatives and undertakings given by the Counterparty under the Agreement
"WFOE"	國藏酒業(四川)有限公司 (in English, for identification purpose only, Guocang Wine Business (Sichuan) Limited), the wholly foreign owned enterprise established under the laws of the PRC and is wholly-owned by the Hong Kong Company
"Wuliangye Yibin Co"	宜賓五糧液股份有限公司 (in English, for identification purpose only, Wuliangye Yibin Co., Ltd.), a company incorporated under the laws of the PRC with limited liabilities, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 00858)
"Wuliangye Group"	Wuliangye Yibin Co and its respective subsidiaries and associates (as the case may be)
"Wuliangye Liquor Series"	the wine products under the wine brand, 五糧液 in English, for identification purpose only, "Wuliangye") to be distributed by Guocang Wine Merchant, details of which are set out in section headed "Wine products" to this circular
"Wuliangye Niangshen Liquor Series"	the wine products under the wine brand, 五糧液釀神 (in English, for identification purpose only, "Wuliangye Niangshen") to be distributed by Guocang Wine Merchant, details of which are set out in section headed "Wine products" to this circular
"Yibin Wuliangye"	宜賓五糧液酒類銷售有限責任公司 (in English, for identification purpose only, Yibin Wuliangye Liquor Sales Co., Ltd.), a subsidiary of Wuliangye Yibin Co, the supplier of the wine products under the Wuliangye Liquor Series to the Target Group
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

HUA YI COPPER HOLDINGS LIMITED

華藝礦業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 559)

Executive Directors:
Mr. Wong Hin Shek *(Chairman)*
Mr. Chi Chi Hung, Kenneth *(Chief Executive Officer)*

Independent Non-executive Directors:
Mr. Chiu Wai On
Mr. Man Kwok Leung
Dr. Wong Yun Kuen

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 904, 9th Floor
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

8 February 2013

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION — INVESTMENT IN WINE TRADING AND DISTRIBUTION BUSINESS INVOLVING THE ISSUE OF THE CONVERTIBLE PREFERENCE SHARES;
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED CHANGE OF COMPANY NAME;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement and the announcements of the Company dated 4 October 2012, 23 November 2012, 23 January 2013 and 25 January 2013 in relation to, among others, the Acquisition, the proposed increase of authorised share capital of the Company and the Change of Company Name. Pursuant to the Agreement and the Supplemental Agreement, the Investor has agreed to acquire, and the Counterparty has agreed to sell, the Sale Share at a

* *for identification purposes only*

consideration of HK$260,000,000, which will be satisfied in full by the issue and allotment by the Company to the Counterparty or its nominee(s) of the Convertible Preference Shares at Completion. The Guarantor will guarantee to the Investor the full, due and punctual performance by the Counterparty of all its obligations under the Agreement.

The Company will seek a specific mandate from the Shareholders at the SGM for the issue and allotment of the Conversion Shares.

The Board also proposes to change the name and adoption of the secondary name of the Company and a special resolution relating to the proposed Change of Company Name is to be proposed at the SGM.

This circular contains further details of (i) the Agreement; (ii) the Supplemental Agreement; (iii) the proposed issue of the Convertible Preference Shares; (iv) the proposed issue of Conversion Shares under a specific mandate; (v) the proposed increase in authorised share capital; (vi) the Change of Company Name; and (vii) a notice convening the SGM.

THE AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

On 23 January 2013, the Supplemental Agreement has been entered into between the Investor, the Company, the Counterparty and the Guarantor to amend certain terms of the Agreement such that the Company will issue and allot Convertible Preference Shares in the principal amount of HK$260,000,000 instead of Consideration Shares to the Counterparty or its nominees upon Completion, principal terms of which are set out in the paragraph headed "The Convertible Preference Shares" below. Save as amended and supplemented by the Supplemental Agreement, the Agreement remains in full force and effect.

The principal terms of the Agreement and the Supplemental Agreement are as follows:

Date

1 November 2012 (the Agreement)

23 January 2013 (the Supplemental Agreement)

Parties

Purchaser	:	the Investor
Company	:	the Investor's holding company and the purchaser's guarantor
Vendor	:	the Counterparty
Guarantor	:	the Guarantor

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Guarantor, the Counterparty and its respective ultimate beneficial owner are Independent Third Parties.

The Counterparty or the Guarantor has no right to nominate or appoint any Director to the Board under the Agreement. The Acquisition will also not result in a change of control of the Company.

Assets to be acquired

The Sale Share, representing the entire issued share capital of the Target Company.

The Sale Share will be acquired free of liens, encumbrances and other claims and together with all rights attaching thereto as at the date of the Agreement, including the right to receive dividends and distributions declared, made or paid after the date of the Agreement.

The Target Company is an investment holding company wholly-owned by the Counterparty as at the Latest Practicable Date. Upon completion of the Target Group Corporate Reorganisation, the Target Group will principally engage in wine trading and distribution in the PRC. For further information on the Target Group, please refer to the section headed "Information on the Target Group" below.

Consideration

The consideration in the sum of HK$260,000,000 will be satisfied by the issue and allotment of the Convertible Preference Shares by the Company to the Counterparty or its nominee(s), which are capable of being converted into Conversion Shares subject to the terms of the Agreement and the Supplemental Agreement upon Completion.

The Conversion Shares will, upon issue and fully paid, rank pari passu in all respects with all the existing Shares then in issue.

The Convertible Preference Shares

The principal terms of the Convertible Preference Shares

The principal terms of the Convertible Preference Shares are as follows:

Issuer:	the Company
Conversion Price:	initially, Convertible Preference Share of the notional value of HK$0.21 each shall be convertible into one new Share, subject to adjustments in the customary manner, including share consolidations, share subdivision, capitalisation issues, capital distributions, rights issues and issues of other securities for cash
Number of Convertible Preference Shares:	1,238,095,238 Convertible Preference Shares in the aggregate principal amount of HK$260,000,000 at the Conversion Price

Ranking:	the Convertible Preference Shares will rank (i) in priority to the ordinary shares of the Company and any other class of shares as to return of capital on liquidation and (ii) *pari passu* with ordinary shares of the Company as to any dividends accumulated on the Convertible Preference Shares
Dividend:	holder of Convertible Preference Shares shall be entitled to the dividends that would be paid with respect to the Shares on an "as converted" basis
Voting right:	holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company
Transferability:	the Convertible Preference Shares may be transferred to any transferee provided that (i) the relevant holders of the Convertible Preference Shares shall seek prior consent from the Company and (ii) if such transfer is to be made to a connected person (as defined under the Listing Rules) of the Company, such transfer shall comply with the requirements under the Listing Rules and/or other requirements imposed by relevant regulatory authority
Redemption:	neither the Company nor any holder of the Convertible Preference Shares shall have any right to redeem the Convertible Preference Shares
Conversion period:	in respect of any Convertible Preference Shares, any time commencing from 3:00 p.m. (Hong Kong time) on the Business Day immediately after the date of issue of such Convertible Preference Shares and up to 4:00 p.m. (Hong Kong time) on the date of all Convertible Preference Shares being converted or purchased in full (or such earlier date as may be required under the statutes). Subject to the aforesaid, there is no limit on the conversion period in respect of the Convertible Preference Shares

Listing:	the Convertible Preference Shares will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares
Conversion restriction:	no conversion right attaching to the Convertible Preference Shares shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; (2) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with any of them, taken together, will be required to make a mandatory offer for all issued securities of the Company pursuant to the Takeovers Code; (3) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with it, taken together, will hold equal to or exceed 20% of the issued share capital of the Company; or (4) if immediately after such conversion, the public float of the shares of the Company falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange

Assuming there will be no further issue or repurchase of Shares, upon the exercise in full of the conversion rights attaching to the Convertible Preference Shares at the Conversion Price, the Company will allot and issue an aggregate of 1,238,095,238 Conversion Shares, representing (i) approximately 34.44% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 25.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares.

The 1,238,095,238 Conversion Shares will be allotted and issued under the specific mandate to be granted by the Shareholders at the SGM. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

Payment terms and adjustment to the consideration

Immediately upon such issue of the Convertible Preference Shares, the share certificate(s), the instruments of transfer and contract notes executed in blank by the Counterparty or its nominee(s) in respect of the Convertible Preference Shares shall be deposited with the Escrow Agent until the Payment Date. The Counterparty or its nominee(s) will be entitled to receive any dividends in respect of all of the Convertible Preference Shares prior to the Payment Date. Any dividends received in respect of the Convertible Preference Shares will also be subject to the escrow arrangement with the Escrow Agent.

If the Target Group shall fail to meet the Total Net Profits in the sum of RMB300,000,000 by 31 December 2015, the actual number of the Convertible Preference Shares to be released to the Counterparty or its nominee(s) by the Escrow Agent on the Payment Date will be downward adjusted in accordance with the following formula:

$$\text{Adjusted number of Convertible Preference Shares} = \frac{\text{Actual Total Net Profits}}{\text{RMB300,000,000}} \times 1{,}238{,}095{,}238^{\ (Note)}$$

Note: If prior to the Payment Date, there occurs a subdivision or consolidation of the Shares, the number of the Conversion Shares shall become such number of Shares in the capital of the Company which are derived from those 1,238,095,238 Shares following such subdivision or consolidation of the Shares.

The Counterparty or its nominee(s) shall only be entitled to receive such amounts of dividends attributable to the actual number of Convertible Preference Shares released to the Counterparty or its nominee(s).

If the profit after tax as revealed from any consolidated audited financial statements of the Target Group prior to the financial year ending 31 December 2015 shall reach the sum of RMB300,000,000, the Escrow Agent shall release the share certificate(s), the instruments of transfer and contract notes of the Convertible Preference Shares together with the dividends received prior to the Payment Date to the Counterparty or its nominee(s).

The excess of the Convertible Preference Shares which are not released to the Counterparty or its nominee(s) as a result of the downward adjustment in accordance with the above formula is expected to be sold by the Company in such ways subject to compliance with all applicable rules and regulations and be subject to Shareholders' approval if the Company shall decide on the dealing mechanism, in particular, the sale terms of such Convertible Preference Shares. The dividends attributable to such Convertible Preference Shares shall be released to and retained by the Company in its account.

Once the profit after tax of the Target Group meets RMB300,000,000 prior to 31 December 2015, the Convertible Preference Shares shall be released to the Counterparty. After such release, if the Target Group subsequently incurs loss and records Total Net Profits below RMB300,000,000 for the three years ending 31 December 2015, the Investor shall be entitled to claim the damages from the Guarantor and/or the Counterparty by virtue of the guarantee given by the Guarantor and the Counterparty pursuant to the Agreement and there is no specified compensation arrangement, such as dollar to dollar compensation arrangement. In addition, the Counterparty will not provide security to protect the Investor after the release of the Convertible Preference Shares.

As the Investor shall be entitled to claim damages, which may include compensation on a dollar to dollar basis and the costs and expenses incurred for claiming such damages, from the Guarantor and/or the Counterparty if the Total Net Profits shall subsequently fall short of RMB300,000,000, the Directors consider that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Moratorium and trading restrictions

As long as the Convertible Preference Shares are under the escrow arrangement with the Escrow Agent, the Counterparty or its nominee(s), as the case may be, being the registered owner(s) of the Convertible Preference Shares may not sell, transfer, dispose, charge, mortgage, pledge or otherwise deal with, either directly or indirectly, any of the Convertible Preference Shares.

Conversion Price

The Conversion Price of HK$0.21 per Convertible Preference Share represents:

(a) a discount of approximately 46.15% to the closing price of HK$0.39 as quoted on the Stock Exchange on 1 November 2012, being the Last Trading Day;

(b) a discount of approximately 36.75% to the average closing price of the Shares of approximately HK$0.332 as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 27.59% to the average closing prices of the Shares of approximately HK$0.290 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 54.35% to the closing price of HK$0.460 as quoted on the Stock Exchange on 22 January 2013, being the last trading day immediately prior to the date of the Supplemental Agreement (the "**Supplemental Agreement Last Trading Day**");

(e) a discount of approximately 54.55% to the closing price of HK$0.462 as quoted on the Stock Exchange on 22 January 2013, for the last 5 consecutive trading days up to and including the Supplemental Agreement Last Trading Day"; and

(f) a discount of approximately 47.50% to the closing price of the Shares of HK$0.40 as quoted on the Stock Exchange as at the Latest Practicable Date.

The creation and allotment of the Convertible Preference Shares will be approved by the Shareholders at the SGM. The Conversion Shares shall be allotted and issued pursuant to the specific mandate to be granted by the Shareholders at the SGM. The Convertible Preference Shares will be allotted and issued on the Completion Date.

Application for listing

No application will be made by the Company to the Stock Exchange for the listing of the Convertible Preference Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares. The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue.

Basis of the Consideration

The consideration and also the Conversion Price were arrived at based on normal commercial terms and after arm's length negotiations between the parties to the Agreement and the Supplemental Agreement and by reference to the Counterparty and the Guarantor jointly and severally warrant and guarantee to the Investor that:

(i) the Net Profit shall not be less than RMB50,000,000;

(ii) the Total Net Profits shall not be less than RMB300,000,000;

(iii) the acquisition of the entire interest of Guocang Wine Merchant and the obtaining of the rights of Distribution and Exclusive Distribution; and

(iv) upon Completion, the Target Group will have at least 300 Stores signed up in the PRC which shall increase to at least 500 Stores before 30 June 2013.

The parties also make reference to the consideration and the issue price of the Consideration Shares as agreed under the Memorandum of Understanding. According to the Memorandum of Understanding, the issue price for each of the Consideration Shares is HK$0.20, which was determined with reference to the then closing price of the Share at HK$0.195 as at the date of the Memorandum of Understanding. It represents a premium of approximately 28.21% to the average closing price of the Shares of HK$0.156 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the date of the Memorandum of Understanding; and (ii) a premium of approximately 2.56% to the closing price of the Shares of HK$0.195 as quoted on the Stock Exchange as at the date of the Memorandum of Understanding.

After the publication of the announcement in relation to the Memorandum of Understanding, the price of the Shares increased sharply by approximately 100.00% from HK$0.195 per Share as at the date of the Memorandum of Understanding to HK$0.390 per Share as at the Last Trading Date. The Directors consider that the recent increase in the Share prices might be attributable to the positive response by the market regarding the possible Acquisition. Notwithstanding the recent surge in the Share prices, the Directors consider the Conversion Price represents the then prevailing market price of the Shares as at the date of the Memorandum of Understanding and the Company has adopted a market reference basis to determine the Conversion Price.

In consideration to the above, despite the Conversion Price represents a discount to the market price of Shares as at the Last Trading Date, the Board considers that the consideration for the Acquisition and the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Agreement is conditional upon the following conditions precedent:

(a) the successful completion of the Target Group Corporate Reorganisation;

(b) the obtaining of the rights of Distribution and Exclusive Distribution;

(c) there are at least 300 Stores signed up in the PRC;

(d) the Investor has conducted and completed the due diligence review and investigation on the legal, financial and business aspects of the Target Group and satisfied with the results;

(e) the approval by the Shareholders at the SGM of the Agreement, the Supplemental Agreement and the transactions contemplated hereby (including without limitation the issue of the Convertible Preference Shares and the Conversion Shares) and all other consents and acts required under the Listing Rules having been obtained and completed;

(f) (where required) the Bermuda Monetary Authority having granted its permission in respect of the issue and allotment of the Convertible Preference Shares and the Conversion Shares;

(g) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares to be issued;

(h) the Investor having received from the Counterparty and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a firm of lawyers qualified to practise in the PRC (the "**PRC Legal Opinion**") covering matters including, among other things, (i) the Target Group having obtained all the licences and permits which are necessary for conducting the sale, promotion, distribution and retail business of wine products; (ii) the legality of the Target Group Corporate Reorganisation and the existence of the Target Group and that the equity interests of the PRC companies within the Target Group do not have any defects and are not encumbered; (iii) the PRC companies within the Target Group having been duly established and validly subsisting; and (iv) such other aspect of PRC laws as the Investor may consider appropriate or relevant to the transactions contemplated by the Agreement; and

(i) the Investor being satisfied in its absolute discretion, from the date of the Agreement and at any time before Completion, that the Warranties remain true and accurate in all material respects, not misleading or in breach in any material respect and that no events have suggested that there were any breach in any material respect of any Warranties or other provisions of the Agreement by the Counterparty.

The Counterparty shall use its best endeavours to satisfy the above conditions (except conditions (e), (f) and (g)) whereas the Investor shall use its reasonable endeavours to satisfy the above conditions (e), (f) and (g) at any time on or before 5:00 p.m. on the Long Stop Date.

In accordance with the Agreement, the Investor may, at its absolute discretion at any time, waive in writing any of the above conditions (except conditions (e), (f) and (g)). The Investor considers that all of the above conditions are material to the Acquisition and are not waivable. It has no intention to waive any of these conditions. If all the above conditions have not been satisfied or waived by 5:00 p.m. on the Long Stop Date then the Agreement shall lapse and has no further effect and the parties shall be released from all obligations under it. As at the Latest Practicable Date, conditions (b) and (c) have been fulfilled. Up to the Latest Practicable Date, 364 Stores have been signed up.

Please refer to the paragraph headed "Profits and other guarantee" below for details of the Warranties provided by the Counterparty.

Scope of due diligence

The scope of the legal due diligence conducted on the Target Group includes (i) reviewing of the corporate documents of the companies within the Target Group to ascertain the ownership, management and legality of these companies; (ii) conducting independent public company and litigation searches of these companies; (iii) conducting site visits to the Target Group; (iv) reviewing all material contracts in respect of the Target Group and the Acquisition; (v) reviewing all licences and permits of these companies which are necessary for conducting the sale, promotion, distribution and retail business of wine products; (vi) engaging the PRC legal advisers to issue the PRC Legal Opinion; and (vii) such other legal aspects as the Investor may consider appropriate or relevant to the transactions contemplated by the Agreement.

In addition to the abovementioned legal due diligence works, the Group also conducted business and financial due diligence including (i) attending site visits and interviewing the management of the Target Group on various aspects in relation to the business and operation of the Target Group; (ii) reviewing the accounting and operational systems of the Target Group; (iii) reviewing and performing analysis on the financial information of the Target Group; and (iv) engaging auditor to review the financial information of the Target Group and to issue accountants' reports on the companies under the Target Group.

Completion

Completion shall take place at 2:00 p.m. on the Completion Date after satisfaction or waiver (as the case may be) of the conditions precedent (or such other date as the parties to the Agreement may agree).

Upon Completion, the Company (i) has no present intention or immediate plan to effect any major changes to the existing business of the Group and the composition of the Board and (ii) will continue its existing business.

Profits and other guarantee

In consideration of the Investor agreeing to purchase the Sale Share upon and subject to the terms and conditions contained in the Agreement, the Counterparty and the Guarantor jointly and severally warrant and guarantee to the Investor that:

(i) the Net Profit shall not be less than RMB50,000,000;

(ii) the Total Net Profits shall not be less than RMB300,000,000; and

(iii) the Target Group will have at least 300 Stores signed up in the PRC upon Completion which shall increase to at least 500 Stores before 30 June 2013.

The guarantees of the Net Profit in the sum of RMB50,000,000 and the Total Net Profits in the sum of RMB300,000,000 were agreed by the parties with reference to the following factors:

(a) the overall trend of increasing demand of wine products in the PRC;

(b) the increasing trend of the gross domestic products in the PRC and the disposal income of the residents;

(c) the rights of Distribution and Exclusive Distribution; and

(d) the expected growth of the overall business of Guocang Wine Merchant in view that, as one of the conditions precedent of the Completion, Guocang Wine Merchant will have an extensive retail networks of at least 300 Stores signed up in the PRC which shall increase to at least 500 Stores before 30 June 2013.

Further, if the Target Group fails to meet the Total Net Profits in the sum of RMB300,000,000 by 31 December 2015, the Group shall be entitled to adjust the number of Convertible Preference Shares issued and allotted to the Counterparty or its nominee(s). For details of the adjustment mechanism, please refer to the paragraph headed ''Payment terms and adjustment to the consideration''.

Based on the above factors, the Directors consider that the amounts of the Net Profit and the Total Net Profits as above indicated are fair and reasonable.

The Guarantor has also irrevocably, unconditionally and absolutely guaranteed to the Investor the full, due and punctual performance of all the obligations of the Counterparty under or pursuant to the Agreement and, in the case of failure by the Counterparty, fully, duly or punctually to perform such obligations, shall itself forthwith on demand perform such obligations with the Investor that the Guarantor will perform such obligations on the Counterparty's behalf and shall indemnify and keep indemnified on demand the Investor from and against any and all losses, reasonable costs and expenses which it may sustain, incur or suffer by reason of any default or delay on the part of the Counterparty in the performance of the said obligations and fulfillments of the said Warranties.

If the Net Profit of the Target Group is less than RMB50,000,000 or the number of Stores signed up by 30 June 2013 is less than 500, the Investor shall be entitled to claim the damages from the Guarantor and/or the Counterparty by virtue of the guarantee given by the Guarantor and the Counterparty pursuant to the Agreement.

SHAREHOLDING STRUCTURE OF THE COMPANY IMMEDIATELY BEFORE AND AFTER THE COMPLETION

As at the Latest Practicable Date, save for the 543,190,000 outstanding share options, there were no outstanding convertible securities issued or options granted which carry rights to acquire Shares.

Details of the shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion and the issue of the Conversion Shares, assuming that there is no adjustment to the Conversion Shares or other change in the share capital of the Company, are set out below:

	As at the Latest Practicable Date		**Upon Completion and full conversion of the Convertible Preference Shares**	
	Number of Shares	*Approximate*	*Number of Shares*	*Approximate*
Mr. Chi Chi Hung, Kenneth *(Note 1)*	23,000,000	0.64%	23,000,000	0.48%
Mr. Choy Shiu Tim *(Note 2)*	1,050,007,125	29.21%	1,050,007,125	21.73%
Mr. Wong Yat Fai *(Note 3)*	420,850,000	11.71%	420,850,000	8.71%
Counterparty *(Note 4 and 5)*	—	—	1,238,095,238	25.62%
Public	—	—	—	—
Other public Shareholders	2,100,556,775	58.44%	2,100,556,775	43.46%
	3,594,413,900	100.00%	4,832,509,138	100.00%

Notes:

1. Mr. Chi Chi Hung, Kenneth is an executive Director and the chief executive officer of the Company.

2. 870,007,125 Shares out of the 1,050,007,125 Shares are held by Intense Rise Holdings Limited, which is wholly-owned by Mr. Choy Shiu Tim. Thus, he is deemed to be interested in the 870,007,125 Shares held by Intense Rise Holdings Limited pursuant to the SFO.

3. 418,210,000 Shares out of the 420,850,000 Shares are held by Wise Profit Group Limited, which is wholly-owned by Mr. Wong Yat Fai. Thus, he is deemed to be interested in the 418,210,000 Shares held by Wise Profit Group Limited pursuant to the SFO.

4. Pursuant to the terms of the Supplemental Agreement, no conversion right attaching to the Convertible Preference Shares shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; (2) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with any of them, taken together, will be required to make a mandatory offer for all issued securities of the Company pursuant to the Takeovers Code; (3) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with it, taken together, will hold equal to or exceed 20% of the issued share capital of the Company; or (4) if immediately after such conversion, the public float of the shares of the Company falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange.

5. If prior to the Payment Date, there occurs a subdivision or consolidation of the Shares, the number of the Conversion Shares shall become such number of Shares in the capital of the Company which are derived from those 1,238,095,238 Shares following such subdivision or consolidation of the Shares.

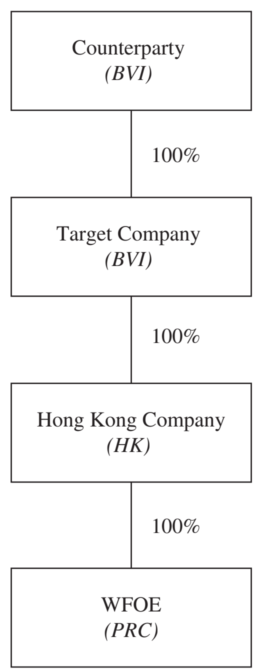
6. The percentages are subject to rounding error.

INFORMATION ON THE TARGET GROUP

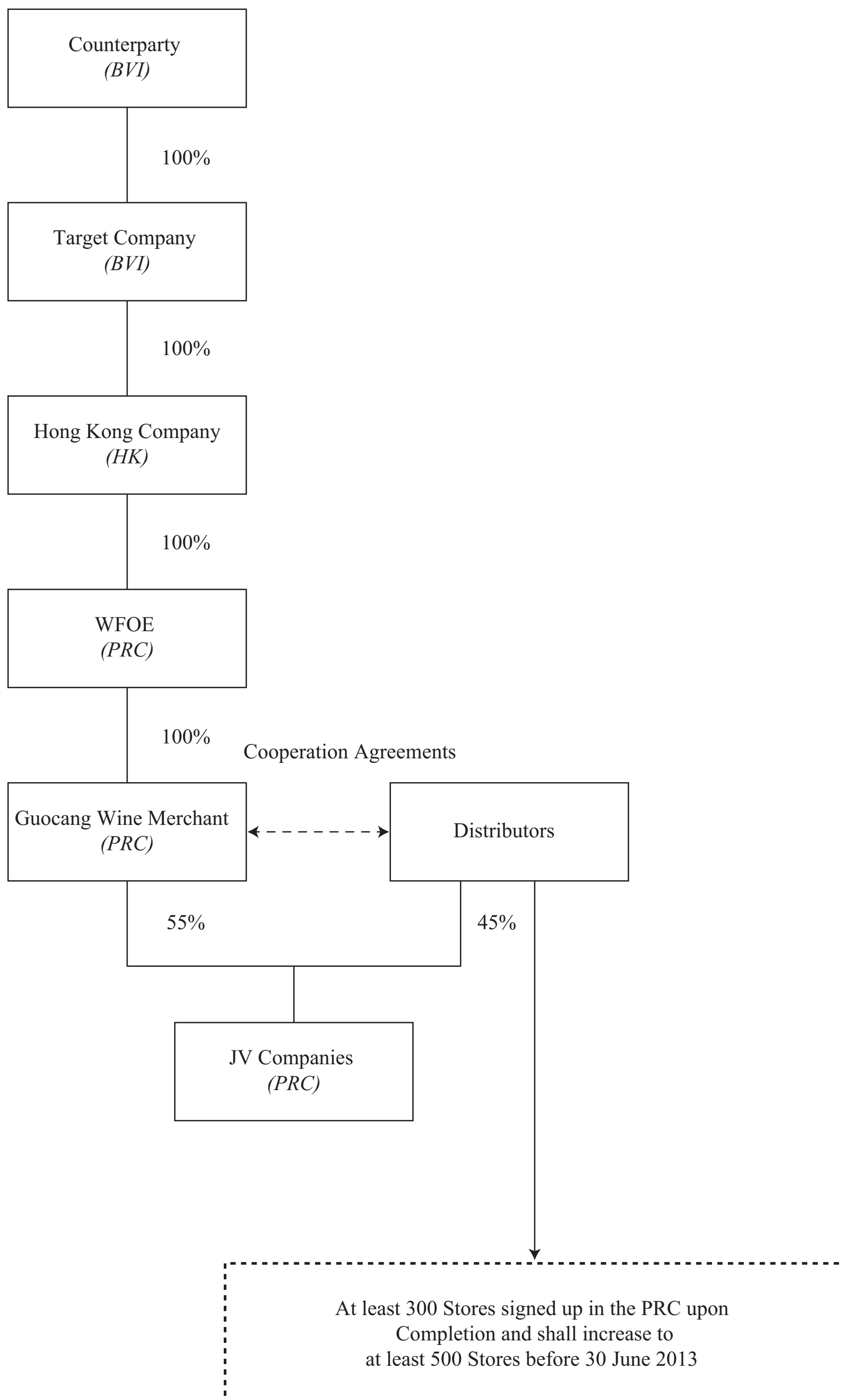
Corporate structure

As at the Latest Practicable Date, the Target Company has an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one (1) share having been issued to and is fully paid up by the Counterparty.

The corporate structure of the Target Group as at the Latest Practicable Date is as follows:



One of the conditions precedent of the Completion is the completion of the Target Group Corporate Reorganisation and the corporate structure of the Target Group upon completion of the Target Group Corporate Reorganisation will be as follows:



The Target Group

The Target Group will, through Guocang Wine Merchant, by way of entering into of the Cooperation Agreements, to establish extensive distribution networks of at least 300 Stores for distribution of wine products under the Wuliangye Liquor Series on a non-exclusive basis and the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) on an exclusive basis in the PRC upon Completion. It also expects that not less than 500 Stores will be signed up before 30 June 2013.

Target Company and the Hong Kong Company

The Target Company is incorporated under the laws of the BVI on 16 August 2012 and is wholly-owned by the Counterparty. The Hong Kong Company is incorporated under the laws of Hong Kong on 28 September 2012 and is wholly-owned by the Target Company. The principal business of both the Target Company and the Hong Kong Company is investment holding. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the accounts of the Target Group will be consolidated into the financial statements of the Company.

The WFOE

The WFOE is a wholly-owned foreign enterprise established with a registered capital of US$3,000,000 and total investment of US$6,000,000 under the laws of the PRC on 11 December 2012 and is wholly-owned by the Hong Kong Company. Upon completion of the Target Group Corporate Reorganisation, the principal asset of the WFOE will be the investment in Guocang Wine Merchant.

Guocang Wine Merchant

On 26 September 2012, Guocang Wine Merchant was established by four PRC domestic companies, with the purpose of building up a nationwide middle to high-end liquor retail network. Among the four shareholders of Guocang Wine Merchant, three of them were joint ventures formed by the Guarantor and his different business partners, and one of them was Sichuan Wugu Niangshen, a distributor of wine products of Wuliangye Niangshen. The registered capital of Guocang Wine Merchant is RMB50,000,000, among which RMB10,000,000 was paid on 24 September 2012 by the aforesaid parties.

As the Guarantor engaged the Company seeking cooperation in the retail business of wine products, and signed the Memorandum of Understanding on 4 October 2012, the business partners who had formed joint ventures with the Guarantor decided not to proceed with the originally intended business plan and to withdraw from the investments in Guocang Wine Merchant immediately. At that time, the corporate structure of the Target Group is yet to complete, the Guarantor then agreed with Sichuan Wugu Niangshen that it should take up the equity interests held by the joint ventures in Guocang Wine Merchant in the meantime pending the completion of formation of the Target Group and the approval of SAFE registration. Sichuan Wugu Niangshen agreed with the arrangement on the basis that the Target Group should utilize its distribution channels in the PRC for sale and distribution of the wine products of Sichuan Wugu Niangshen. On 15 October 2012, the joint ventures, which were founders of

Guocang Wine Merchant, transferred all their interests in Guocang Wine Merchant to Sichuan Wugu Niangshen at par value of their respective capital contribution in the total sum of RMB6,000,000 in Guocang Wine Merchant, upon which, the Guarantor no longer held, either direct or indirect, interest in Guocang Wine Merchant.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Guocang Wine Merchant and its respective ultimate beneficial owners are Independent Third Parties.

Given that Guocang Wine Merchant has been duly incorporated as a wine trading company, with multiple resources for development of the business of wine distribution, including the licenses for wine distribution, the brand name of "國藏酒莊" and the sales management team in place, the Target Group has decided to acquire the entire equity interest in Guocang Wine Merchant from Sichuan Wugu Niangshen. Guocang Wine Merchant will become a wholly-owned subsidiary of the WFOE upon completion of the Target Group Corporate Reorganisation. The WFOE will have the obligation to pay the consideration for the acquisition of Guocang Wine Merchant in the sum of RMB10,000,000. The Group, upon Completion, will assume the obligation of the WFOE to pay the consideration for the acquisition of Guocang Wine Merchant in the sum of RMB10,000,000 and the remaining registered capital in the sum of RMB40,000,000, which will be satisfied by the Group's internal resources. Guocang Wine Merchant will engage in investment holding and the wine trading and distribution business in the PRC.

Since it is one of the conditions precedent that the Investor will only proceed to completion of the Acquisition if and when the Target Group Corporate Reorganisation is successfully completed, the Directors consider that the arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The JV Companies

Guocang Wine Merchant has entered into a number of Cooperation Agreements with each of the Distributors to establish a number of joint venture companies in various provinces of the PRC to be responsible for supervision and coordination of the Stores including selection of location of the Stores, supervision on the operation of the Stores and coordination of the ordering and distribution of wine products from Guocang Wine Merchant within the relevant province. Each of the JV Companies will be owned as to 55% by Guocang Wine Merchant and 45% by the Distributor(s). Upon duly incorporation of the JV Companies and Completion, they will become the subsidiaries of the Group and the accounts of which will be consolidated into the financial statements of the Group.

Cooperation Agreements

The Distributors will enter into Cooperation Agreements with Guocang Wine Merchant so as to establish extensive distribution networks of Stores under the name of "國藏酒莊" to sell the wine products provided by Guocang Wine Merchant.

The materials terms of the Cooperation Agreements are as follows:

Parties:

(i) Guocang Wine Merchant; and

(ii) the Distributor(s) in each province

Terms of the cooperation:

(i) Guocang Wine Merchant recognizes the Distributor(s) in each province as the business partner with the right to establish the Stores and sell the wine products supplied by Guocang Wine Merchant in the particular province.

(ii) Guocang Wine Merchant and the Distributor(s) shall set up a JV Company in the relevant province with the registered capital in the sum of RMB200,000, out of which Guocang Wine Merchant shall contribute RMB110,000 to the registered capital and the Distributor(s) in the relevant province shall contribute RMB90,000 to the registered capital and the parties shall own 55% and 45% of the equity interests of the JV Company respectively.

The legal representative and executive director of the JV Company will be appointed by Guocang Wine Merchant whilst the general manager of the JV Company will be appointed by the Distributor(s) in the relevant province.

The JV Company will be responsible for supervision and coordination of the Stores including selection of location of the Stores, supervision on the operation of the Stores and coordination of the ordering of wine products from Guocang Wine Merchant within the relevant province. The Stores will be required to pay RMB10,000 per year as the management fee to the JV Company.

(iii) Guocang Wine Merchant will be responsible for sale and supply of the wine products to the Stores. According to the Cooperation Agreement, Guocang Wine Merchant shall supply a minimum quantity (the "**Minimum Quantity**") of collections of Wuliangye and Wuliangye Niangshen and other wine products distributed by it to each of the Stores per year. Each Store also undertakes to purchase the Minimum Quantity from Guocang Wine Merchant. The sale price of the wine products by Guocang Wine Merchant to each of the Stores will be in standard prices in the sum of not less than a certain percentage above the ex-factory prices, subject to the compliance with applicable requirements under the applicable PRC rules and regulations. Guocang Wine Merchant will also charge handling fee of RMB10 per bottle for certain brands of wine products, which is determined with reference to transportation costs to deliver the wine products to the Stores.

(iv) Guocang Wine Merchant shall have the rights for the selection of locations, renovations and decorations of the Stores. The Distributor shall be responsible for renovations and decorations and renting of the Stores in the relevant province, obtaining the relevant governmental approvals, hiring and training of staff and other day-to-day operation and all costs and expenses in connection thereto including but not limited to the renovation and decoration costs, rental of the Stores, operation expenses and salary and wages of staff, electricity and water expenses etc.

(v) Guocang Wine Merchant and the Distributor(s) in each province shall share the profits of the Stores in the percentages of 55% and 45% respectively. Guocang Wine Merchant shall receive a guaranteed profits (before tax) of not less than RMB170,000 per year from each of the Stores. The amount of the profits before tax will be upward adjusted according to the actual quantities of wine products sold to each of the Stores above the Minimum Quantity. Each of the Stores shall pay the guaranteed profits (before tax) on a monthly basis to Guocang Wine Merchant in the sum of not less than RMB14,000 payable on or before the 20th day of each month.

(vi) Either party may terminate the Cooperation Agreement and claim damages arising from the breach if there exists fundamental breach of the Cooperation Agreement by one party and it fails to rectify the breach within a reasonable period of time.

As advised by the PRC legal adviser to the Company, the Cooperation Agreements are governed by the laws of the PRC. The Company is also advised that the fundamental breach is a breach that entitles the innocent party to treat the Cooperation Agreement as repudiatory and to have it terminated. The innocent party will also be entitled to damages that would restore the innocent party to the economic position they expected from performance of the Cooperation Agreement. The range of "a reasonable period of time" is not designated in the Cooperation Agreement, it would mean that the reasonable time that is required for the defaulting party to remedy the breach.

As at the Latest Practicable Date, Guocang Wine Merchant has entered into the Cooperation Agreements with the following Distributors:

	Date of the Cooperation Agreement	Distributor	The relevant province	Number of Stores signed up under the respective Distributor as at the Latest Practicable Date	Nature of distributorship in the relevant province	Proposed % of shareholding interest in the JV Company
1	30 November 2012	福建國藏酒莊有限公司	Jiangxi	10	Exclusive	45%
2	30 November 2012	廣西國藏酒莊酒業有限公司	Guangxi	30	Exclusive	45%
3	30 November 2012	福建國藏酒莊有限公司	Fujian	30	Exclusive	45%
4	30 November 2012	青島尚川商貿有限公司	Shandong	12	Exclusive	45%
5	1 December 2012	上海智全貿易有限公司	Shanghai	37	Non-exclusive	45%
6	1 December 2012	拉藏友興商貿有限公司	Tibet	5	Exclusive	45%
7	1 December 2012	湖南省五穀玉液貿易有限公司	Hunan	30	Non-exclusive	45%

	Date of the Cooperation Agreement	Distributor	The relevant province	Number of Stores signed up under the respective Distributor as at the Latest Practicable Date	Nature of distributorship in the relevant province	Proposed % of shareholding interest in the JV Company
8	1 December 2012	成都市釀香商貿有限公司	Sichuan	60	Exclusive	45%
9	1 December 2012	陽江五穀佳釀貿易有限責任公司	Guangdong	60	Non-exclusive	45%
10	2 December 2012	成都和中美達商貿有限公司	Gansu	5	Exclusive	45%
11	3 December 2012	佛山市佛緣珠寶貿易有限公司	Chongqing	5	Non-exclusive	45%
12	3 December 2012	開平市振熙貿易有限公司	Hubei	20	Exclusive	45%
13	4 December 2012	佛山市南海慶耀貿易有限公司	Shaanxi	20	Exclusive	45%
14	5 December 2012	眾邦安盛(北京)諮詢有限公司	Heilongjiang	5	Non-exclusive	*(Note)*
15	5 December 2012	眾邦安盛(北京)諮詢有限公司	Hebei	5	Non-exclusive	45%
16	5 December 2012	眾邦安盛(北京)諮詢有限公司	Jilin	5	Non-exclusive	45%
17	5 December 2012	溫州市信康貿易有限公司	Wenzhou	5	Exclusive	45%
18	6 December 2012	佛山市佛緣珠寶貿易有限公司	Heilongjiang	5	Non-exclusive	*(Note)*
19	28 December 2012	海南東隆潤澤貿易有限公司	Hainan	15	Non-exclusive	45%

Note: The JV Company in the province of Heilongjiang is expected to be owned as to 55% by Guocang Wine Merchant and as to 45% in aggregate by the Distributors and the final shareholding interest in the aforesaid JV Company is subjected to change.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Distributors, Sichuan Wugu Niangshen and Yibin Wuliangye, and their respective ultimate beneficial owners are Independent Third Parties. Except as disclosed, as at the Latest Practicable Date, there is no relationship between the Guarantor and either Sichuan Wugu Niangshen and Yibin Wuliangye.

The Distributors will not sign up any sub-distribution agreement with sub-distributor. Up to the Latest Practicable Date, there are 364 Stores signed up by the Target Group.

Niangshen Distribution Agreement

Guocang Wine Merchant entered into a distribution agreement with Sichuan Wugu Niangshen on 21 October 2012 under which Sichuan Wugu Niangshen granted the right of exclusive distribution of the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) to Guocang Wine Merchant for an indefinite period from 21 October 2012 in the PRC.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Sichuan Wugu Niangshen is the sole and exclusive distributor of the Wuliangye Niangshen Liquor Series manufactured by the Wuliangye Group. The Wuliangye Group has granted the rights of exclusive distribution of the Wuliangye Niangshen Liquor Series to Sichuan Wugu Niangshen which covered the terms of the Niangshen Distribution Agreement and under which Sichuan Wugu Niangshen is entitled to grant the right of Exclusive Distribution to Guocang Wine Merchant.

The material terms of the Niangshen Distribution Agreement are as follows:

Parties:

(i) Sichuan Wugu Niangshen; and

(ii) Guocang Wine Merchant

Date:

21 October 2012

Terms of the distribution:

(i) Sichuan Wugu Niangshen granted the right of exclusive distribution of the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) to Guocang Wine Merchant in the PRC for an indefinite period from 21 October 2012.

(ii) Guocang Wine Merchant shall purchase wine products under the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) from Sichuan Wugu Niangshen in the total prices of not less than RMB300,000,000 within the first year from the date of the Niangshen Distribution Agreement.

(iii) Sichuan Wugu Niangshen shall sell all wine products of the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) to Guocang Wine Merchant at standard wholesale prices in the PRC.

(iv) Guocang Wine Merchant shall purchase all wine products of the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) solely from Sichuan Wugu Niangshen and undertake to sell the wine products at the prices equal to or above the minimum retail prices for retail customers and for bulk purchases as published by Sichuan Wugu Niangshen from time to time.

(v) Guocang Wine Merchant may appoint distributors in various regions in the PRC for sale and distribution of the wine products produced by Sichuan Wugu Niangshen.

(vi) Sichuan Wugu Niangshen shall sell to Guocang Wine Merchant the total quantity of wine products of not less than 1 tonne per Store in each year, Sichuan Wugu Niangshen shall compensate Guocang Wine Merchant if it fails to do so.

(vii) Guocang Wine Merchant shall pay the security in the sum of RMB15,000,000 to Sichuan Wugu Niangshen within 7 days from the date of the Niangshen Distribution Agreement which is refundable at the termination of the Niangshen Distribution Agreement in accordance with the terms of the Niangshen Distribution Agreement.

(viii) Guocang Wine Merchant may place purchase orders to Sichuan Wugu Niangshen for the purchase of the wine products from time to time together with the full payment of the purchase price to the designated bank account of Sichuan Wugu Niangshen. Sichuan Wugu Niangshen shall deliver the wine products under the purchase order to Guocang Wine Merchant within 30 days from the date of the purchase order. The transportation fee of the wine products from Sichuan Wugu Niangshen to the railway station or warehouse as designated by Guocang Wine Merchant and the related insurance fee are included in the purchase price. All other fees are payable by Guocang Wine Merchant.

(ix) Sichuan Wugu Niangshen shall be responsible for publicising the brands of the Wuliangye Niangshen Liquor Series in the PRC in accordance with its sale and marketing plan.

(x) Sichuan Wugu Niangshen shall be responsible for ensuring the product quality of the Wuliangye Niangshen Liquor Series.

(xi) If any testing report issued by the national or authorized test centre indicated that the wine products of Sichuan Wugu Niangshen deviated from its set standards, Guocang Wine Merchant shall be entitled to request Sichuan Wugu Niangshen to replace the relevant wine products. The transportation fee shall be paid by Sichuan Wugu Niangshen.

(xii) Either party may terminate the Niangshen Distribution Agreement and claim damages arising from the breach if there exists fundamental breach of the Niangshen Distribution Agreement by one party and it fails to rectify the breach within a reasonable period of time.

Wuliangye distribution

As at the Latest Practicable Date, Guocang Wine Merchant has obtained the certificates of the distributor (經銷商身份證明書) issued by Yibin Wuliangye, under which Yibin Wuliangye granted the right of distribution of certain types of wine products under the Wuliangye Liquor Series (as set out in the section headed "Wine products" below) to Guocang Wine Merchant for the period from 8 November 2012 to 31 December 2013 in the PRC. Guocang Wine Merchant further signed supply contracts or placed orders with Yibin Wuliangye according to its sales plan, for the purchase of the types of wine products it intends to distribute through its retail network. The supply contracts or orders set out the terms of (inter alia) quantity, price, delivery timetable, logistic arrangement and standards of distribution.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Yibin Wuliangye is a subsidiary of Wuliangye Yibin Co and the distributor of the wine products under the Wuliangye Liquor Series manufactured by the

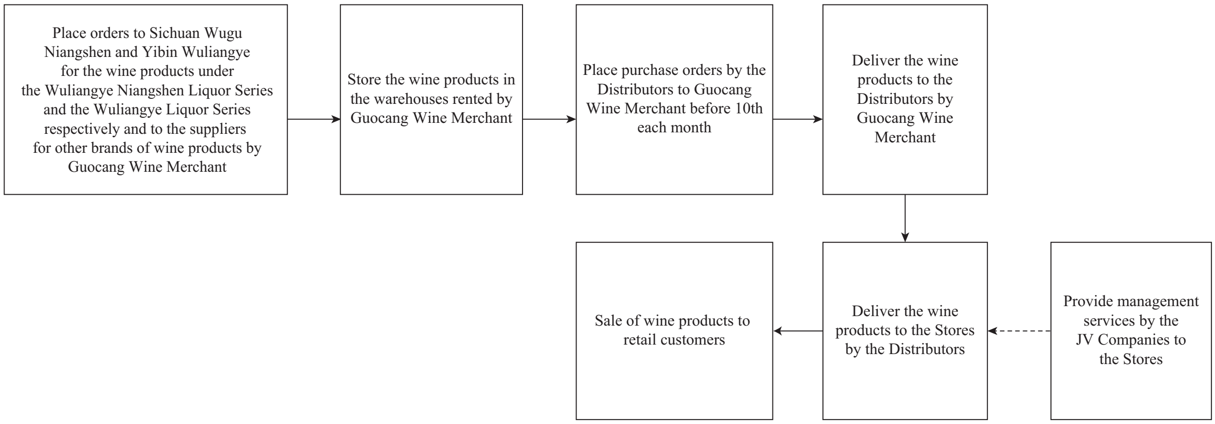
Wuliangye Group. The Wuliangyu Group has granted the rights of exclusive distribution of the Wuliangye Liquor Series to Yibin Wuliangye under which Yibin Wuliangye is entitled to grant the right of Distribution to Guocang Wine Merchant.

Business model

The Target Group adopts a channel distribution business model and by way of entering into the Cooperation Agreements to establish an extensive distribution network of Stores under the name of "國藏酒莊" (Guocang Wine Store) to sell wine products to retail customers in various provinces of the PRC. The Target Group focuses to promote "國藏酒莊" as a platform to sell genuine products and targets the middle to high-end wine product markets. The wine products sold in the Stores will bear special bar codes and security labels for the purposes to distinguish their products sold by them from counterfeit wine products. Guocang Wine Merchant obtained the rights of Exclusive Distribution and Distribution from Sichuan Wugu Niangshen and Yibin Wuliangye respectively to purchase and distribute the Wuliangye Niangshen Liquor Series (except for Niangshen 101 series) and the Wuliangye Liquor Series respectively. The management of the Target Group plans to introduce various brands of wine products in future. The Stores sell wine products under standard retail prices for retail customers and for bulk purchases which are set and announced by Guocang Wine Merchant, subject to the compliance with applicable requirements under the applicable PRC rules and regulations. In addition, each Distributor undertakes to purchase the Minimum Quantity from Guocang Wine Merchant for each of the Stores. Guocang Wine Merchant also sets up the JV Companies with the Distributors to provide management services to the Stores.

With respect to the selection criteria for the Stores, the management of Guocang Wine Merchant represents that the business development team of Guocang Wine Merchant is responsible for assisting and advising the Distributors to perform analysis and search for the suitable location for the Stores. The Distributors prepare reports on the proposed new Stores to Guocang Wine Merchant for the assessment of the suitability of the locations for Stores. The business development team assesses the locations with reference to parameters including the characteristics of the population, social and economic status of the population, density of the population, the competitive environment, possibility of overlapping of the Stores within the area, the targeted number of Stores within the area, traffic condition, potential changes in the areas, expected turnover and returns and the rental payments. Normally, the Stores are located in the areas closed to their targeted customers, like in the commercial zones and middle to high income residential areas with areas, ranged from 100 sq. m to 150 sq. m and 200 sq. m for the flagship stores.

Set out below is the typical operation flow chart of the Target Group:



Wine products

	Nature of distributorship	Period
The Wuliangye Niangshen Liquor Series		
五糧液釀神典藏 (Wuliangye Niangshen Classic Liquor)	Exclusive	No definite period
五糧液釀神2008型 (Wuliangye Niangshen Liquor 2008)	Exclusive	No definite period
五糧液釀神豪華 (釀神) (Wuliangye Niangshen Luxurious Liquor (Niangshen))	Exclusive	No definite period
五糧液釀神精品 (釀神) (Wuliangye Niangshen Delicate Liquor (Niangshen))	Exclusive	No definite period
五糧液釀神紫金裝 (Wuliangye Niangshen Zijin Liquor)	Exclusive	No definite period
五糧液釀神101型 (Wuliangye Niangshen Liquor 101 series)	Non-exclusive	No definite period

	Nature of distributorship	Period
The Wuliangye Niangshen Liquor Series		
五糧液酒廠六十年釀神封藏限量酒 (Wuliangye Winery 60 Years Niangshen Fengcang Liquor (Limited Edition))	Exclusive	No definite period
五糧液酒廠六十年釀神窖藏陳釀酒 (Wuliangye Winery 60 Years Niangshen Jiaocang Liquor)	Exclusive	No definite period
釀神部隊接待用酒 (Niangshen For Army Reception Liquor)	Exclusive	No definite period
The Wuliangye Liquor Series		
新品五糧液 (New Wuliangye Liquor)	Non-exclusive	8 November 2012 to 31 December 2013 *(Note)*
五糧液1618 (Wuliangye-1618)	Non-exclusive	8 November 2012 to 31 December 2013 *(Note)*
五糧液老酒(包括禮盒裝) (Wuliangye Old Liquor, including gift set)	Non-exclusive	8 November 2012 to 31 December 2013 *(Note)*
建國六十年周年紀念酒 (Wuliangye Liquor In Memory Of The 60th National Anniversary)	Non-exclusive	8 November 2012 to 31 December 2013 *(Note)*
五糧液原度酒 (Wuliangye Yuanduo Liquor)	Non-exclusive	8 November 2012 to 31 December 2013 *(Note)*
五糧液封壇藏酒 (Wuliangye Fengtancang Liquor)	Non-exclusive	8 November 2012 to 31 December 2013 *(Note)*
五糧液得名一百周年紀念酒 (Wuliangye Liquor in Memory of the 100th Naming Anniversary)	Non-exclusive	8 November 2012 to 31 December 2013 *(Note)*

Notes:

1. Yibin Wuliangye grants the certificates of the distributor (經銷商身份證明書) to Guocang Wine Merchant for the period from 8 November 2012 to 31 December 2013 to sell the wine products under the Wuliangye Liquor Series as set out in the above table in the PRC which is subject to annual renewal.

2. The English names of the wine products disclosed in the above are for identification purposes only.

The management of Guocang Wine Merchant represents that they select and order those popular wine products under the Wuliangye Niangshen Liquor Series and the Wuliangye Liquor Series by reference to their past experience and market statistics on wine selling.

In respect of the recent news concerning the excessive level of plasticiser found in the Chinese wine to be distributed by the Target Group, the Directors are still confidence on the quality of wine products sold by the Group in consideration of:

(i) according to an announcement made by the board of Wuliangye Yibin Co in response to the incidence on plasticiser contamination, Wuliangye Yibin Co announced that it values highly on the quality of its products and awarded 國家質量管理獎 (National Quality Management Award) in 1990, 2003 and 2011. It reiterated that no plasticiser would be added to the products during the manufacturing process and the wine products would not contact plastic products. In addition, upon the happening of plasticiser contamination incidence in Taiwan, the Wuliangye Group pays special attention and adopts stringent procedures to test the product quality internally and by external institutions for each batch of its products. Its products are being tested by 國家食品質量監督檢驗中心 (National Food Quality Supervision and Inspection Center) and 四川省產品質量監督檢驗檢測院 (Sichuan Institute of Product Quality Supervision & Inspection) and the product qualities are in compliance with the national and international commonly adopted hygiene standards related to wine products;

(ii) according to website of Wuliangye Yibin Co, for the purpose of quality assurance, the Wuliangye Group adopts modern analysis technologies and instruments in the full process of production. Gas chromatographs and modern analysis instruments such as atomic absorbing instrument and mass spectrometer are adopted by the Wuliangye Group to carry out comprehensive quality control. Packing is an important process of image building and anti-counterfeits for Wuliangye liquor. In order to protect the interests of consumers, the Wuliangye Group has conducted innovations on packing materials for many times, including changes from common glass bottle to crystal bottle, to polyethylene terepthalate bottle, and from plastic bottle cap to 3-anti-counterfeit bottle cap, to laser anti-counterfeit bottle cap and to anti-counterfeit bottle cap of 3M regressive reflection coating. The Wuliangye Group adopts stringent quality control procedures;

(iii) the Wuliangye Group and Sichuan Wugu Niagshen provide testing reports on its wine products to Guocang Wine Merchant periodically;

(iv) Guocang Wine Merchant implements stringent sales management and quality control procedures and the Stores have to strictly follow the procedures, otherwise would constitute breach of the Cooperation Agreement and would be penalized;

(v) the products sold by Guocang Wine Merchant bear security labels designed by them and special bar codes which facilitates Guocang Wine Merchant to trace the location of the wine products and distinguish counterfeit products; and

(vi) the staff from the operation management department of Guocang Wine Merchant periodically visit the Stores to check for the product quality.

In view of the aforesaid, the Directors consider the Acquisition is still fair and reasonable and in the interests of the Company and Shareholders as a whole given there is rumor on plasticiser contamination.

Key personnel

Upon Completion, the Group will retain the key personnel of Guocang Wine Merchant with strong expertise to operate and manage the business of the Target Group. Set out below are the biographical details of the management team of the Target Group:

Mr. Tang Tong, aged 49, is the general manager of Guocang Wine Merchant. Mr. Tang obtained a bachelor degree in Chinese from Chengdu University. Mr. Tang is responsible for the overall strategic planning and establishment of the distribution network of the Target Group. Prior to joining Guocang Wine Merchant, Mr. Tang has over 10 years of experience working in wine distribution industry. Mr. Tang has built up strong connections with various wine distributors.

Mr. Li Zheng, aged 44, is the deputy general manager of Guocang Wine Merchant. Mr. Li obtained a bachelor degree in Chinese from Sichuan College of Education. Mr. Li is responsible for business and distribution network development and marketing of the Target Group. Mr. Li has over 15 years of management experience in different enterprises in the PRC and about three years experience in sales and marketing of wine products in the PRC.

Mr. Zhou Anquan, aged 60, is the deputy general manager of Guocang Wine Merchant. Mr. Zhou obtained a bachelor degree in business administration from Chongqing University of Technology. Mr. Zhou is responsible for the operation management of the Target Group. Mr. Zhou has over five years of experience working in sales and marketing of wine products in the PRC.

Financial information

Total Grand Group

Set out below is a summary of the audited consolidated financial information on the Total Grand Group prepared in accordance with HKFRS:

	For the period from 16 August 2012 (date of incorporation of the Target Company) to 31 December 2012 *HK$* (audited)
Turnover	—
Loss before taxation	(40,393)
Loss for the period attributable to the owner of the Target Company	(40,393)

As at 31 December 2012, the audited consolidated net liabilities of the Total Grand Group were approximately HK$40,293.

Guocang Wine Merchant

Set out below is a summary of the audited financial information on the Guocang Wine Merchant prepared in accordance with HKFRS:

	For the period from 26 September 2012 (date of establishment) to 31 December 2012 *HK$* (audited)
Turnover	—
Loss before taxation	(1,052,873)
Loss for the period	(1,052,873)

As at 31 December 2012, the audited net assets of Guocang Wine Merchant were approximately HK$11,230,898.

Intellectual property rights of the Target Group

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Target Group is applying for registration of the following trademarks as at the Latest Practicable Date:

Trademark	Registered Owner	Class	Application Number	Place of Application
	Total Grand Investments Limited	33, 35 and 39	302453481	Hong Kong
國藏 guocang	Total Grand Investments Limited	33, 35 and 39	302452491	Hong Kong
国藏 guocang	Total Grand Investments Limited	33, 35 and 39	302452491	Hong Kong
国藏 guocang	Guocang Wine Merchant	1	11617859	PRC
国藏 guocang	Guocang Wine Merchant	2	11617901	PRC
国藏 guocang	Guocang Wine Merchant	3	11617936	PRC
国藏 guocang	Guocang Wine Merchant	4	11621177	PRC
国藏 guocang	Guocang Wine Merchant	5	11621233	PRC
国藏 guocang	Guocang Wine Merchant	6	11621279	PRC
国藏 guocang	Guocang Wine Merchant	7	11621354	PRC
国藏 guocang	Guocang Wine Merchant	8	11621389	PRC
国藏 guocang	Guocang Wine Merchant	9	11621441	PRC
国藏 guocang	Guocang Wine Merchant	10	11621538	PRC
国藏 guocang	Guocang Wine Merchant	11	11621639	PRC
国藏 guocang	Guocang Wine Merchant	12	11621701	PRC
国藏 guocang	Guocang Wine Merchant	13	11621740	PRC
国藏 guocang	Guocang Wine Merchant	14	11628205	PRC
国藏 guocang	Guocang Wine Merchant	15	11628239	PRC

Trademark	Registered Owner	Class	Application Number	Place of Application
国藏 guocang	Guocang Wine Merchant	16	11635400	PRC
国藏 guocang	Guocang Wine Merchant	17	11635637	PRC
国藏 guocang	Guocang Wine Merchant	18	11635687	PRC
国藏 guocang	Guocang Wine Merchant	19	11635747	PRC
国藏 guocang	Guocang Wine Merchant	20	11635802	PRC
国藏 guocang	Guocang Wine Merchant	21	11635845	PRC
国藏 guocang	Guocang Wine Merchant	22	11635882	PRC
国藏 guocang	Guocang Wine Merchant	23	11635951	PRC
国藏 guocang	Guocang Wine Merchant	24	11636037	PRC
国藏 guocang	Guocang Wine Merchant	25	11636116	PRC
国藏 guocang	Guocang Wine Merchant	26	11641514	PRC
国藏 guocang	Guocang Wine Merchant	27	11641561	PRC
国藏 guocang	Guocang Wine Merchant	28	11641292	PRC
国藏 guocang	Guocang Wine Merchant	29	11652685	PRC
国藏 guocang	Guocang Wine Merchant	30	11652753	PRC
国藏 guocang	Guocang Wine Merchant	31	11652819	PRC
国藏 guocang	Guocang Wine Merchant	32	11652943	PRC
国藏 guocang	Guocang Wine Merchant	33	11641198	PRC
国藏 guocang	Guocang Wine Merchant	34	11653001	PRC
国藏 guocang	Guocang Wine Merchant	35	11653062	PRC
国藏 guocang	Guocang Wine Merchant	36	11641142	PRC
国藏 guocang	Guocang Wine Merchant	37	11641088	PRC

Trademark	Registered Owner	Class	Application Number	Place of Application
国藏 guocang	Guocang Wine Merchant	38	11653109	PRC
国藏 guocang	Guocang Wine Merchant	39	11641019	PRC
国藏 guocang	Guocang Wine Merchant	40	11640963	PRC
国藏 guocang	Guocang Wine Merchant	41	11640918	PRC
国藏 guocang	Guocang Wine Merchant	42	11653154	PRC
国藏 guocang	Guocang Wine Merchant	43	11647924	PRC
国藏 guocang	Guocang Wine Merchant	44	11647947	PRC
国藏 guocang	Guocang Wine Merchant	45	11647976	PRC
国藏酒莊	Guocang Wine Merchant	33	11653276	PRC

INFORMATION ON THE COUNTERPARTY AND THE GUARANTOR

The Counterparty is a limited company incorporated under the laws of the BVI, an Independent Third Party and principally engaged in investment holding. It is beneficially owned by the Guarantor.

The Guarantor is an Independent Third Party and will not be nominated to become a Director upon Completion.

RISK FACTORS

The Target Group relies on the major suppliers and the wine products under the Wuliangye Liquor Series and the Wuliangye Niangshen Liquor Series as the single largest product line

The Target Group relies on the major suppliers, namely Sichuan Wugu Niangshen and Yibin Wuliangye to supply them the wine products under the Wuliangye Liquor Series and the Wuliangye Niangshen Liquor Series respectively, as the single largest product line.

Sichuan Wugu Niangshen may not be able to supply Guocang Wine Merchant if its cooperation with Yibin Wuliangye for the development of the wine products under the Wuliangye Niangshen Liquor Series is being terminated. In addition, Yibin Wuliangye may appoint additional distributors to distribute the wine products under the Wuliangye Liquor Series to compete with the Target Group.

As a result, the business and results of operations of the Target Group relies on, among other things, continued timely supply of these products from the suppliers and the continued distributorship with it. Any circumstances which adversely affect the timely and continued supply of the wine products from the suppliers could have a material adverse impact on the business of the Target Group.

In order to mitigate the aforesaid risk, the Target Group will purchase the wine products from the suppliers from time to time to maintain certain level of inventories after taking into account of the customers' needs. The Target Group will also diversify the variety of wine products to be distributed by them in future.

The success of the Target Group is dependent on, among other things, consumer preference

Maintaining the brand awareness and good reputation of the wine products that the Target Group distributes is critical to promoting consumer preference for the wine products and, thereby, attracting additional customers and expanding the customer base of the Target Group. Enhancement of the brand awareness and good reputation of the wine products distributed by the Target Group will depend largely on the success of the marketing and promotional campaign conducted by the suppliers or by the Target Group as well as the quality of the wine products supplied to the Target Group and consequently it distributes, over which the Target Group has no control.

Nevertheless, even if the brand awareness and good reputation are maintained or enhanced, there is no assurance that consumer preference for the wine products the Target Group distributes will remain unchanged. Any decline in consumer preference for the products distributed by the Target Group would have a material adverse effect on its business prospects and results of operations. The Target Group will deploy resources to launch advertising and marketing campaigns to enhance its brand awareness and good reputation and maintain the quality of the wine products and the services provided by the Stores.

The Target Group cannot control the quality of the wine products it distributes

As a distributor, the Target Group cannot control the quality of the products it distributes. Any contamination, whether arising accidentally or resulting from any deliberate third party action, will adversely affect the reputation of the brand(s) of products it distributes, the corporate image as well as the sales volume of the Target Group. Any contaminant in those raw materials or defects in the distillation or fermentation processes could lead to inferior quality and/or illness among or injury to the consumers of the Target Group and may result in reduced sales of the affected brand(s) or all of its brand(s). Any failure on the part of the supplier to maintain quality standards will materially and adversely affect the brand name and reputation of the products the Target Group distributes, thus adversely impacting on its business prospects, financial condition and results of operations.

Adequate control over the pricing and distribution policies and the products quality sold within the distribution network

The continued expansion of the Target Group is dependent on, among other things, the operations of Distributors and the Stores within the distribution network, over which the Target Group have no direct control. The Target Group may not have adequate control over the pricing and distribution policies and the product quality sold by the Stores for the PRC market and there is no assurance that all the Distributors within the distribution network will strictly adhere to the policies and the requirements of the Target Group. The failure of the Distributors and Stores to adhere to the pricing and distribution policies or selling counterfeit and substandard products in the Stores may adversely affect sales of the products and the reputation of the Target Group and consequently, the Target Group may not be able to develop the PRC distribution network as it plans.

In order to mitigate the aforesaid risk, Guocang Wine Merchant and the Distributors entered into the Cooperation Agreements and will establish various JV Companies in various provinces in the PRC to monitor the performance and operation of the Stores. The Target Group also closely monitors the performance of the Distributors by its business development team and performs periodical visits to the Stores.

Reliance on retail sales in the PRC

PRC is the Target Group's principal market, making it critical for the Target Group's overall operation and profitability. The income derived from retail sales of the wine products in the PRC will continue to be the Target Group's principal source of income in the near future. However, as the wine products are not daily necessities but luxury products, the sale of the wine products in the PRC is affected by the purchasing power of its population and the general state of its economy. The Target Group will be exposed to changes in economic, political and social conditions in the PRC. For example, Central Military Commission issued ten regulations (the "**Regulations**"), which aimed at forbidding high-ranking military officials from indulging in alcohol, luxury banquets and extravagant welcoming ceremonies when making official visits in December 2012, which might affect the consumption of wine products in the official visits from the military sector in the PRC. Any adverse change in the economic environment of the PRC may adversely affect the business, operational results, and financial position of the Target Group.

Even though the demand for wine products may be affected by the economic, political and social conditions in the PRC, like launching of the Regulations, the Directors consider the Acquisition is beneficial to the Group in consideration of the benefits set out in the section headed in "Reasons for the Acquisition" and the positive impact on the earnings of the Enlarged Group upon Completion.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject the ultimate beneficial owner of the Target Group to personal liability and limit the Enlarged Group's ability to inject capital into the Target Group, limit the ability of the Target Group to distribute profits to the Group, or otherwise adversely affect the financial position of the Enlarged Group

On 21 October 2005, the SAFE issued the Notice of the SAFE on Issues Relating to the Administration of Foreign Exchange on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investment (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular No. 75**") which came into force on 1 November 2005, requiring PRC residents, including both legal persons and natural persons, who establish offshore companies and inject assets or equity interests in their PRC entities into offshore companies, to register with competent local SAFE branch before establishing or controlling any company outside the PRC, referred to as an "offshore special purpose company." Under the SAFE Circular No. 75, the Guarantor, the ultimate beneficial owner of the Target Group, who is a PRC domestic resident, is required to register with the local SAFE branch his ownership in the Target Group before the intended round-trip investment is completed. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, the Guarantor, who is a PRC resident and now in application for registration with the local SAFE branch with respect to his investment in the Target Group as per the requirements under the SAFE Circular No. 75. There is no guarantee that such registration will be successfully accepted by the local SAFE branch or the timing as to the approval of the registration and the failure of Mr. Tang to complete the SAFE registrations in a timely manner pursuant to the SAFE notice or may subject himself to fines and legal sanctions and may also result in restrictions on the Target Group's ability to distribute profits to the Enlarged Group and to remit funds into or out of the PRC or otherwise materially and adversely affect the Enlarged Group's business. As advised by the Company's PRC legal advisor, the Guarantor is required to complete the SAFE registration before the acquisition of Guocang Merchant Wine, and may not transfer the shares of the Target Group before the completion of SAFE registration. SAFE would also accept the application for registration after the round trip investment is completed, but more strict requirements will be imposed, such as, amongst others, a special audit report of the PRC entity that is controlled by offshore special purpose company to ensure whether there is any distribution of dividend, liquidation, transfer of shares, decrease of registered capital, recoupment of investment, repayment of shareholder's loan occurred before the application of SAFE registration. In case any of the aforementioned issues ever occurred, SAFE would punish the Guarantor before granting the registration.

It is also required by the SAFE Circular No. 75 that any PRC resident that is the shareholder of an offshore special purpose company shall amend its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, share exchange, merger, division, long-term investment with equity investment or creditor's right investment and other material capital alteration without involving round-trip investment. According to the relevant guidance with respect to the operational rules on such foreign exchange registration issued by the SAFE to its local branches, in the event that PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation to the offshore special purpose company. Failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Changes in the PRC economic, political and social conditions could adversely affect the business, financial condition and results of operations of the Target Group

Substantially all of the business and operations of the Target Group are conducted in the PRC. Accordingly, the business, financial condition, results of operations and prospects of the Target Group are, to a significant degree, subject to the economic, political and social developments in the PRC. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

While the economy of the PRC has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall economy of the PRC, but may also have a negative effect on the Target Group. For example, the financial results of the Target Group may be adversely affected by changes in tax regulations that are applicable to the Target Group. The PRC government has also recently implemented certain measures, including recent interest rate increases, in an attempt to control the rate of economic growth. These measures may decrease economic activities in the PRC, which in turn could materially and adversely affect the business, financial condition, results of operations and prospects of the Target Group, which are sensitive to the economic conditions of the PRC.

The legal system in the PRC is not fully developed and has inherent uncertainties that could limit the legal protections available to the Target Group

The business and operations of the Target Group are primarily conducted in the PRC and are governed by PRC law, rules and regulations. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, the Target Group may not be aware of violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to the Target Group under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

As the management of the Target Group have vast experiences and expertise in wine distribution industry in the PRC, they are familiar with the laws and regulations that regulates the PRC wine distribution industry. As such, the Group believes that they are able to react swiftly to the benefits of the Enlarged Group as a whole if there will be any change in the PRC legal system that regulates the industry so as to minimise the exposure of the Enlarged Group and the Shareholders.

Industry Overview

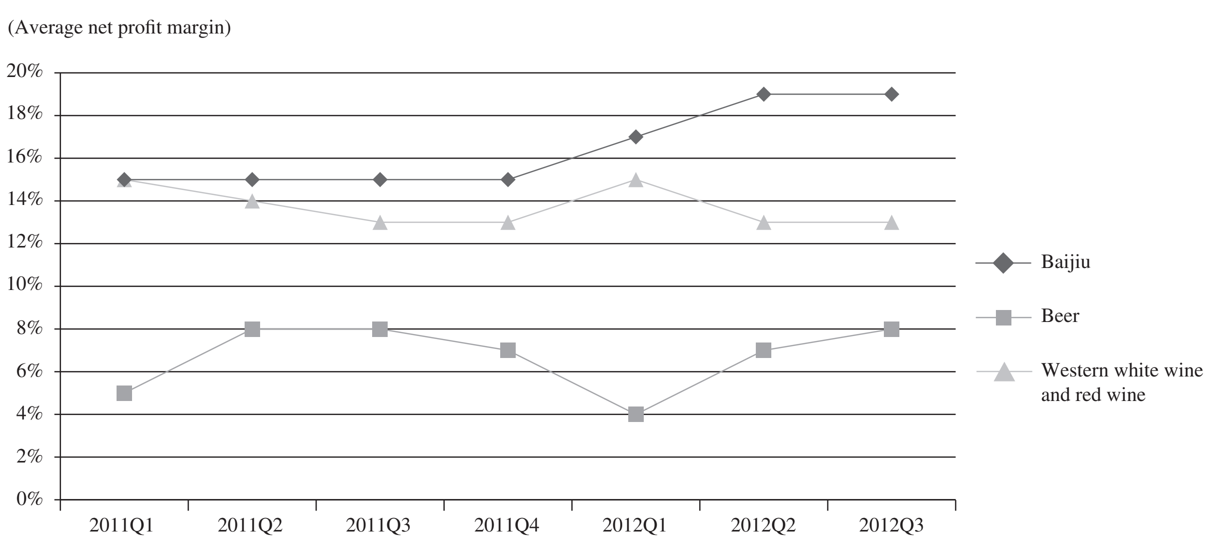
Overview of alcohol industry in the PRC

China wine consumption expenditure reached RMB45 billion in 2011, becoming fifth in the world in terms of expenditure on wine, according to wine-info.com. Due to rising demand and per capita disposable income, the consumption expenditure of alcoholic drinks in the PRC is expected to reach RMB84.37 billion liters in 2016, according to the information prepared by a reputable market research company. Consumption of five major alcoholic drinks, including beer, white wine, rice wine, red wine and imported spirits, surged to 62.72 billion liters in 2011, compared with 46.52 billion liters in 2007. Red wine, Chinese wine and beer are the popular alcoholic beverages in the PRC. For red wine, it mainly relies on imports. The local liquor manufacturing industry is segmented into, by its major alcoholic drinks, (1) the traditional Chinese distillate spirits or domestically well-known as *Baijiu;* (2) beer; and (3) western wine (including red wine and white wine).

Chinese wine manufacturing industry

According to a report published by China Economic Information Network, in 2011, the output of Chinese wine was more than 1,216 million tonnes and sales reached RMB584 billion. The average gross profit margin and net profit margin ranged between from 29% to 35% and from 7% to 15% respectively for the industry. In general, the growth of output and the profitability of Baijiu sector is higher than the other two sectors. From both supply and demand perspectives, Baijiu is an important segment of the local alcohol industry. The following graph shows the segmental quarterly profitability of liquor manufacturers during the period from January 2011 to September 2012.

Segmental quarterly profitability of liquor manufacturers
(January 2011 to September 2012)



(Source: China Economic Information Network)

Baijiu market in the PRC

Baijiu is a traditional distillate spirits of China, which are well-known in China and overseas because of the long history and its unique technologies. China's spirits are one of the six famous distillate spirits in the world (the rest of them are separately Brandy, Whisky, Rum, Vodka and Aurum). Baijiu has been popular among different communities in the PRC and remain part of Chinese tradition appearing in many social activities. Traditionally spirits are the main drink denoting happiness or respect. China produces distilled spirits for the local market in great quantities.

The Chinese spirits market is large and competitive. Consumption of bottled white wine in the PRC has increased at a compound annual growth rate of 20% over the past five years, according to data from the National Statistics Bureau of the PRC. According to a report published by China Economic International Network, in 2011, the output of Baijiu reached 10.2 million tonnes, with a year-on-year increment of 30.7%. By the end of September 2012, the output of Baijiu was over 7.9 million tonnes up by 20.69% comparing with the same period last year. According to the information published by 中商情報網, by region, Sichuan, Shandong, Henan, Jiangsu and Liaoning are the top five Baijiu production provinces, contributing to approximately 60% of the national output in 2011 and the first three quarters in 2012. The two most famous Baijiu brands in the PRC are Moutai and Wuliangye which are both middle to high-end products.

Output (in 1,000 tonnes) of Baijiu by region

	2011		**January–September 2012**	
Province	**Output** *(in '000 tonnes)*	**% of Grand total**	**Output** *(in '000 tonnes)*	**% of Grand total**
Sichuan	3,094	30%	1,905	24%
Shandong	992	10%	858	11%
Henan	1,053	10%	721	9%
Jiangsu	679	7%	654	8%
Liaoning	681	7%	582	7%
Hubei	298	3%	506	6%
Jilin	424	4%	394	5%
Inner Mongolia Autonomous Region	523	5%	380	5%
Anhui	395	4%	306	4%
Heilongjiang	209	2%	245	3%
Others	1,908	18%	1,429	18%
Grand Total	10,256	100%	7,980	100%

Source: 中商情報網

Note: Subject to rounding error

According to a local award namely "華樽杯" (Chinese Bottle Cup), Moutai, followed by Wuliangye, has been ranked as the Top One brand of Chinese liquor nationally for two consecutive years in 2012. 華樽杯 (China Bottle Cup) is an annual highly-recognized award for liquor brand excellence in the industry and it will shortlist the Top 200 local liquors by their estimated brand value. Out of the Top 200, 143 brands are Baijiu, with a total brand value of RMB670 billion. In 2012, the estimated brand value of Moutai and Wuliangye increased to RMB74.8 billion, up by 25.7%, and RMB71.3 billion, up by 22.1%, respectively, as compared with last year.

2012 Top 200 value wine brand in the PRC

Category	**No. of wine**	**% of Grand total**	**Brand value** *(in RMB billion)*	**% of Grand total in value**
Baijiu	143	72%	669.7	69%
Western wine	10	5%	44.1	5%
Beer	24	12%	186.1	19%
Yellow wine	8	4%	19.0	2%
Others	15	7%	45.1	5%
Grand total	200	100%	964.0	100%

Source: China Daily, Grant Sherman Research

Note: Subject to rounding error

2010–2012 Brand value and turnover of the top three Baijiu in the PRC

		Brand value of 華樽杯 (Chinese Bottle Cup) (in RMB billion)		
Entity	**Brand**	**2010**	**2011**	**2012**
Kweichow Moutai Co., Ltd.	茅台 (Moutai)	53.0	59.5	74.8
Wuliangye Yibin Co., Ltd.	五糧液 (Wuliangye)	53.1	58.4	71.3
Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.	洋河 (Yanghe)	13.2	21.1	32.2

Source: China Daily, Grant Sherman Research

Note: Subject to rounding error

Kweichow Moutai Co., Ltd.

Kweichow Moutai Co., Ltd. is principally engaged in the manufacture and distribution of Moutai liquor series products. Based in Moutai Town, Renhuai City, Guizhou Province, the PRC, the company manufactures beverages, food and packaging materials, the development of anti-counterfeit technology, as well as the research and development of information technology related products. Its product portfolio comprises light distilled spirits and heavy distilled spirits, under the brand name of MOUTAI, 茅台 MOUTAI, 茅台, 茅台女王, 茅台不老, 飛天, 茅台王子酒, 貴州茅台, 貴州 and 漢帝茅台酒, among others. During the year ended 31 December 2011, the company produced approximately 39,532.62 metric tonnes of Moutai liquor and series products. The company distributes its products throughout the PRC and exports to international market. The revenue and net profits attributable to the equity holders of the company amount to RMB18,402 million and RMB8,763 million respectively for the year ended 31 December 2011 and RMB11,633 million and RMB5,051 million respectively for the year ended 31 December 2010.

Wuliangye Yibin Co

Wuliangye Yibin Co specialises in manufacturing liquor and liquor related products. The company's major liquor product is Wuliangye (五糧液), which is made from five crops: broomcorn, rice, glutinous rice, wheat and corn. Its other liquor offerings include Wuliangye Niangshen (五糧液釀神), Wuliangchun (五糧春), Wuliangshen (五糧神), Wuliangchun (五糧醇), Changsanjiao (長三角), Lianghuchun (兩湖春), Xiandairen (現代人), Jinliufu (金六福), Liuyanghe (瀏陽河), Laozuofang (老作坊) and Jingjiu (京酒). Headquartered in Yibin, Sichuan Province, the PRC, the company distributes its products throughout the PRC market, and exports to international market. The revenue and net profits attributable to the equity shareholders of the company amount to RMB20,351 million and RMB6,157 million respectively for the year ended 31 December 2011 and RMB15,541 million and RMB4,395 million respectively for the year ended 31 December 2010.

According to website of Wuliangye, the Wuliangye Group is making great efforts to become one of the World Top 500 within 10 years with its large scale and vigorous economic strength. The Wuliangye Group possesses the largest cellar chambers in the PRC, the largest liquor-making workshops in the world with production capacity of 450,000 tonnes, the most advanced automatic packing lines in the industry and more advanced quality analysis and testing instruments than that of the specialized inspection departments of the nation.

According to an announcement published by Yibin Wuliangye Co on 20 August 2012, to ensure meeting the strategic objectives of the Wuliangye Group under the 12th Five-Year Plan and laying down the foundation to ensure continuous development of Wuliangye under the 13th Five-Year Plan, it prepares to expand its manufacturing plant for aroma fragrant style wine products with production capacity of 100,000 tonnes and an investment amount of not less than RMB5 billion. In addition, it plans to establish regional sales centres in three provinces with an aim to increase its sales.

Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.

Jiangsu Yanghe Brewery Joint-Stock Co., Ltd. is principally engaged in the production and distribution of liquor and related products. The Company produces ordinary liquor products and middle to high grade liquor products. The Company's major liquor offerings include Yanghe (洋河) and Shuanggou (雙溝) series. The Company primarily distributes its products within domestic markets. The revenue and net profits attributable to equity shareholders of the company amount to RMB12,741 million and RMB4,021 million respectively for the year ended 31 December 2011 and RMB7,619 million and RMB2,205 million respectively for the year ended 31 December 2010.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the accounts of the Target Group will be consolidated into the financial statements of the Company. Set out below is a summary of the unaudited pro forma financial information of the Group before and after Completion, prepared on the bases set out in Appendix V to this circular:

	Before Completion *(HK$'000)*	**After Completion** *(HK$'000)*
Total assets	680,875	1,376,607
Total liabilities	(92,083)	(258,134)
Net assets	588,792	1,118,473
Gearing ratio (representing the ratio of borrowings and warrants under derivative financial liabilities to the shareholders' fund of the Group/Enlarged Group)	0.11	0.06

In light of the potential future prospects of the Target Group, the Directors are of the view that the proposed Acquisition would likely to have a positive impact on the future turnover and earnings of the Enlarged Group.

As the above information is for illustrative purposes only and because of its nature, it may not give a true picture of the results and financial position of the Enlarged Group for any future financial periods or dates.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the businesses of (i) manufacture and trading of cable and wires; (ii) manufacture and trading of copper rods; and (iii) investments in listed securities.

Whilst the Group maintains its core business in these areas, the Group seeks to enter into the fast growing business of sale, promotion, distribution and retail of wine products in order to broaden its source of income. The Target Group will contribute to the consolidated cash flow and income of the Group immediately following the Completion.

Upon completion of the Target Group Corporate Reorganisation, the Target Group will have obtained the rights of Distribution and Exclusive Distribution. The Board believes that the Acquisition presents a great opportunity for the Group to enter into the fast growth business of sale, promotion, distribution and retail of wine products in the PRC. Upon Completion, the Target Group will establish extensive distribution networks of at least 300 Stores for distribution of quality wine products including the collections of Wuliangye and Wuliangye

Niangshen in the PRC, which expects to increase to not less than 500 Stores before 30 June 2013. The Acquisition allows the Group to gain access to the retail business of wine products swiftly.

Based on the above, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and that the terms of the Agreement are fair and reasonable.

REASONS FOR THE SUPPLEMENTAL AGREEMENT

By entering into the Supplemental Agreement, the Board considers that the issue of the Convertible Preference Shares instead of the Consideration Shares to satisfy the consideration of the Acquisition would (i) record no immediate dilution effect and (ii) limit the extent of the dilution effect to the shareholding interest of the existing public Shareholders.

As such, the Directors of the view that the proposed terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

The Board proposes to increase the Company's authorised share capital from HK$300,000,000 divided into 6,000,000,000 Shares of HK$0.05 each to HK$1,561,904,761.90 divided into 30,000,000,000 Shares of HK$0.05 each and 1,238,095,238 Convertible Preference Shares of HK$0.05 each by the creation of an additional 24,000,000,000 Shares and 1,238,095,238 Convertible Preference Shares. The Convertible Preference Shares will rank (i) in priority to the ordinary shares of the Company and any other class of shares as to return of capital on liquidation and (ii) *pari passu* with ordinary shares of the Company as to any dividends accumulated on the Convertible Preference Shares.

The proposed increase in authorised share capital of the Company by creating the additional 24,000,000,000 Shares and 1,238,095,238 Convertible Preference Shares is determined by taking into account the allotment and issue of the Conversion Shares and the Convertible Preference Shares pursuant to the Agreement and the Supplemental Agreement, as well as the Company's need for flexibility to issue new Shares for future development. An ordinary resolution will be put forward at the SGM for the proposed increase in the Company's authorised share capital. The proposed increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM. The Board is of the view that the proposed increase in authorised share capital of the Company will provide flexibility to the Company in determining its future business plan, and is therefore in the interests of the Shareholders. No Shareholder is required to abstain from voting on the resolution to be proposed at the SGM regarding the proposed increase in authorised share capital of the Company.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the name of the Company from "Hua Yi Copper Holdings Limited" to "Guocang Group Limited" and the adoption of the "國藏集團有限公司" as the secondary name of the Company to replace the existing Chinese name of the Company, "華藝礦業控股有限公司", which is currently used for identification purposes only.

Conditions of the Change of Company Name

The Change of Company Name will be subject to the following conditions:

1. the passing of a special resolution at the SGM by the Shareholders approving the Change of Company Name;

2. the entry of the new name and secondary name of the Company in place of its existing name on the register maintained by Registrar of Companies in Bermuda; and

3. the Completion.

The relevant filings with the Registrar of Companies in Bermuda will be made after the passing of the special resolution at the SGM.

Subject to satisfaction of the conditions set out above, the Change of Company Name will take effect from the date on which the Registrar of Companies in Bermuda enters the new name and the secondary name of the Company on the register in place of the existing name of the Company. Thereafter, the Company will carry out any necessary filing procedures with the Companies Registry in Hong Kong.

Effects of the Change of Company Name

The Change of Company Name will not affect any of the rights of the existing Shareholders or the Company's daily business operation and its financial position. All existing share certificates of the Company in issue bearing the existing name of the Company will, after the Change of Company Name becoming effective, continue to be evidence of title to the Shares and will be valid for trading, settlement, registration and delivery for the same number of Shares in the new name and new secondary name of the Company. As soon as the Change of Company Name has become effective, any new issue of share certificates will be issued in the new name and secondary name of the Company. There will not be any arrangement for free exchange of the existing share certificates of the Company for new share certificates bearing the new name of the Company.

To reflect the Change of Company Name, the logo of the Company will also be changed accordingly after the Change of Company Name becomes effective. In addition, subject to the confirmation of the Stock Exchange, the English stock short name and the Chinese stock short name for trading in the shares of the Company will also be changed after the Change of Company Name becomes effective.

A further announcement will be made when appropriate to inform Shareholders of the effective date of the Change of Company Name and the new stock short names of the Shares.

Reasons for the Change of Company Name

As the Group prepares to enter into the wine distribution and trading industry by establishing an extensive distribution network of the Stores under the name of "國藏酒莊", the adoption of the new name and secondary name will improve the corporate image of the Company and is beneficial to marketing promotion for the Group's business, which is essential to the future development and expansion of the Group. The Board considers that the Change of Company Name is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the Acquisition exceeds 25% but does not exceed 100% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to the disclosure and Shareholders' approval requirements under the Listing Rules.

The approval on the issue and allotment of the Convertible Preference Shares and the Conversion Shares will be sought at the SGM. The Board will seek approval from the Shareholders at the SGM for the grant of a specific mandate for the issue and allotment of the Conversion Shares.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares on the Stock Exchange.

The proposed increase in authorised share capital of the Company and the Change of Company Name are required to be approved by the Shareholders at the SGM.

The formation of JV Companies shall constitute notifiable transaction for the Company under Chapter 14 of the Listing Rules and may be subject to the reporting, announcement and/or shareholders' approval requirements under Chapter 14 of the Listing Rules. Further announcement(s) in relation to the formation of JV Companies will be made by the Company as and when appropriate, if required by the Listing Rules.

In addition, the transactions between the Group, through Guocang Wine Merchant, and each of the Distributors and their respective associates will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. However, as each of the JV Companies owned as to 45% by each of the Distributors are expected to be insignificant as the relevant ratios under Rules14A.33(4) of the Listing Rules are expected to be less than 5%, the Company will apply the insignificant subsidiary exemption as and when appropriate and the transactions between Guocang Wine Merchant and each of the Distributors and their respective associates will be exempted from the reporting, annual review and independent shareholders' approval requirements under Rule 14A.31(9) of the Listing Rules so long as the continuing connected transactions meet the relevant requirements of the Listing Rules.

SPECIAL GENERAL MEETING

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Agreement, the Supplemental Agreement and transactions contemplated thereunder, the proposed increase in authorised share capital of the Company, the proposed Change of Company Name and accordingly no Shareholder will be required to abstain from voting on the resolutions approving the Agreement and the Supplemental Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company, and the proposed Change of Company Name.

A notice convening the SGM is set out on pages 124 to 127 of this circular. The SGM will be convened for the purpose of considering and, if thought fit, passing the resolutions to approve the Agreement, the Supplemental Agreement and the transactions contemplated thereunder, the proposed increase in authorised share capital of the Company, and the proposed Change of Company Name. A form of proxy for use at the SGM is sent to the Shareholders together with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions at the SGM will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Board is of the opinion that the terms of the Agreement, the Supplemental Agreement and the Acquisition are fair and reasonable; the Agreement, the Supplemental Agreement, the Acquisition, the proposed issue of Convertible Preference Shares, the proposed issue of the Conversion Shares under a specific mandate, the proposed increase in authorised share capital of the Company, the proposed Change of Company Name are in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of resolution proposed at the SGM.

GENERAL

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

Yours faithfully,
For and on behalf of the board
Hua Yi Copper Holdings Limited
Wong Hin Shek
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 30 June 2012 has been disclosed on pages 21 to 75 of the annual report of the Company for the year ended 30 June 2012; (ii) for the year ended 30 June 2011 has been disclosed on pages 18 to 79 of the annual report of the Company for the year ended 30 June 2011; and (iii) for the year ended 30 June 2010 has been disclosed on pages 19 to 83 of the annual report of the Company for the year ended 30 June 2010. All the above reports of the Company have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.559.com.hk).

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 December 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$153,166,000, comprising secured bank loans of approximately HK$33,160,000 and unsecured other loan of approximately HK$30,703,000; an unsecured amount due to a related company of approximately HK$3,041,000; an unsecured amount due to a director of WFOE of approximately HK$40,000; and unsecured amounts due to an equity owner and a director of Guocang Wine Merchant of approximately HK$29,455,000 and HK$56,767,000 respectively.

The Enlarged Group's certain items of prepaid lease payments for land and property, plant and equipment with an aggregate carrying value of approximately HK$60,007,000 as at 31 December 2012 are pledged to banks to secure general banking facilities granted to the Enlarged Group.

As at the close of business on 31 December 2012, the Total Grand Group has capital commitments authorised but not contracted for to acquire the entire equity interest in Guocang Wine Merchant in the sum of RMB10,000,000, equivalent to approximately HK$12,281,000, and remaining registered capital in the sum of RMB40,000,000, equivalent to approximately HK$49,124,000 would be injected after the above acquisition. At the same date, Guocang Wine Merchant had capital commitments contracted but not provided for in respect of capital contributions into the investees of approximately HK$2,613,000.

Save as disclosed above and apart from the intra-group liabilities and normal trade bills arising in the ordinary course of business, at the close of the business on 31 December 2012, the Enlarged Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitment, guarantees or contingent liabilities.

The Directors confirm that, save as disclosed therein, there has not been any material change in the indebtedness, contingent liabilities and commitments of the Enlarged Group since 31 December 2012.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2012, the date on which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account of the financial resources available to the Enlarged Group including the Enlarged Group's internally generated funds, the currently available banking and other facilities and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in (i) the manufacture and trading of copper rods, cable and wires products and (ii) investment in listed securities and will continue to carry on the existing business activities.

As disclosed in the annual report of the Group for the financial year ended 30 June 2012, the Group recorded total revenue and loss attributable to Shareholders of approximately HK$312 million and HK$53 million, respectively. Throughout the year 2012, in view of the European debt crisis and United States economic recovery slowdown, the economic performance in Hong Kong and China was severely affected. Domestically, the slackened economy and inflation exist side by side, which in turn affected the consumer confidence and demand in the domestic and electronic appliances industry and the performance of the Group for the financial year ended 30 June 2012. Moreover, the global equity market remained volatile, resulting the Group recorded a fair value loss on listed securities of approximately HK$92 million for the financial year ended 30 June 2012.

Looking ahead, the global economy remains sluggish and the business environment is full of challenges and uncertainties, it is expected that the global market will remain volatile in the second half of 2012. The Group will deploy appropriate operation strategies to meet the challenges posed by the increasingly intricate market conditions. At this stage, the Group will continue to focus on manufacturing and trading of cables and wire and copper rod products in the domestic market. Meanwhile, the Group will strive to implement the business diversification strategy to broaden income sources with an aim to maximise the returns for the Shareholders.

Whilst the Group maintains its core business in the aforesaid areas, the Company seeks to enter into the fast growing business of sale, promotion, distribution and retail of wine products in order to broaden its source of income. The Directors expect that the Target Group will contribute to the consolidated cash flow and income of the Group immediately following Completion.

Upon Completion, the Target Group will establish extensive distribution networks for distribution of wine products including the collections of Wuliangye and Wuliangye Niangshen in the PRC. It is expected that upon Completion, not less than 300 Stores will be signed up and further expected to increase to not less than 500 Stores before 30 June 2013. The Acquisition allows the Company to gain access to the wine trading, distribution and retail business swiftly.

A ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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8 February 2013

The Board of Directors
Hua Yi Copper Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Total Grand Investments Limited (the "**Target Company**") and its wholly-owned subsidiaries, namely Guo Cang Holdings Limited incorporated in Hong Kong (the "**Hong Kong Company**") and 國藏酒業(四川)有限公司 (the "**WFOE**") established in the People's Republic of China (the "**PRC**") (The Target Company, the Hong Kong Company and the WFOE are collectively referred to as the "**Total Grand Group**") which comprises the Total Grand Group's consolidated statement of financial position and Target Company's statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income and the consolidated statement of changes in equity of the Total Grand Group for the period from 16 August 2012 (date of incorporation of the Target Company) to 31 December 2012 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information, prepared on the basis set out in Note 2 of Section C below, for inclusion in the circular of Hua Yi Copper Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") dated 8 February 2013 (the "**Circular**") in connection with the Group's proposed acquisition of the entire issued share capital of the Target Company pursuant to the acquisition agreement dated 1 November 2012 and a supplemental agreement dated 23 January 2013.

The Target Company was incorporated as a limited liability company in the British Virgin Islands (the "**BVI**") on 16 August 2012. Its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI. The director of the Target Company considers that Goldsure Limited, a company incorporated in the BVI, is the immediate and ultimate holding company of the Target Company during the Relevant Period. During the Relevant Period and up to the date of this report, the principal activity of the Target Company and the Hong Kong Company was investment holding, and the WFOE remained dormant.

All companies comprising the Total Grand Group have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared for the Target Company since its incorporation because there is no statutory requirement for the Target Company to prepare audited financial statements under the relevant rules and regulations in its jurisdiction of incorporation. No statutory audited financial statements have been prepared for the Hong Kong Company and the WFOE since their respective date of incorporation/establishment.

For the purpose of this report, the director of the Target Company has prepared the Total Grand Group's consolidated statement of financial position and the Target Company's statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income and the consolidated statement of changes in equity of the Total Grand Group for the Relevant Period (collectively the "**Underlying Financial Statements**"), in accordance with the basis of preparation set out in Note 2 of Section C below and accounting policies set out in Note 4 of Section C below which conform with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared by the director of the Target Company based on the Underlying Financial Statements with no adjustment made thereon and in accordance with the basis of preparation set out in Note 2 of Section C below.

The director of the Target Company is responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the basis of preparation set out in Note 2 of Section C below and the accounting policies set out in Note 4 of Section C below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and for such internal control as the director of the Target Company determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, for the purpose of this report, the Financial Information prepared on the basis set out in Note 2 of Section C below gives a true and fair view of the state of affairs of the Total Grand Group and the Target Company as at 31 December 2012, and of the consolidated results of the Total Grand Group for the Relevant Period.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(b) of Section C below which indicates that the Total Grand Group incurred a loss of HK$40,393 for the Relevant Period and reported net current liabilities and net liabilities of HK$40,293 as at 31 December 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Total Grand Group's ability to continue as a going concern.

B FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income

	Notes	**Period from 16 August 2012 (date of incorporation of the Target Company) to 31 December 2012** *HK$*
Turnover		—
Administrative expenses		(40,393)
Loss before taxation	*6*	(40,393)
Taxation	*7*	—
Loss for the period attributable to the owner of the Target Company		(40,393)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations		92
Other comprehensive income for the period		92
Total comprehensive income for the period		(40,301)
Loss per share		
— Basic and diluted	*6*	(40,393)

Consolidated Statement of Financial Position

	Notes	**As at 31 December 2012** *HK$*
Current asset		
Amount due from a shareholder	*8*	8
Current liability		
Amount due to a director of a subsidiary	*8*	(40,301)
Net liabilities		(40,293)
EQUITY		
Share capital	*9*	8
Reserves		(40,301)
Total equity		(40,293)

Statement of Financial Position

	Notes	**As at 31 December 2012** *HK$*
Non-current asset		
Investments in subsidiaries	*1*	10,000,000
Current asset		
Amount due from a shareholder	*8*	8
Current liability		
Amount due to a subsidiary	*1*	10,000,000
Net current liabilities		(9,999,992)
Net assets		8
EQUITY		
Share capital and total equity	*9*	8

Consolidated Statement of Changes in Equity

	Share capital *HK$* *(Note 9)*	**Exchange reserve** *HK$*	**Accumulated loss** *HK$*	**Total** *HK$*
Issue of share	8	—	—	8
Loss for the period	—	—	(40,393)	(40,393)
Other comprehensive income	—	92	—	92
	—	92	(40,393)	(40,301)
At 31 December 2012	8	92	(40,393)	(40,293)

Consolidated Statement of Cash Flows

Consolidated statement of cash flows has not been presented as the Total Grand Group did not generate, use or hold cash and cash equivalents during the Relevant Period.

C NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION, INVESTMENTS IN SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY

The Target Company was incorporated as a limited liability company in the British Virgin Islands (the "**BVI**") on 16 August 2012. Its registered office and principal place of business are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI and 4/F & 5/F, Central Tower, No. 28 Queen's Road Central, Hong Kong respectively. The director of the Target Company considers that Goldsure Limited, a company incorporated in the BVI, is the immediate and ultimate holding company of the Target Company during the Relevant Period.

Investments in subsidiaries

	As at 31 December 2012 *HK$*
Unlisted shares, at cost	10,000,000

At the end of the Relevant Period, amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

As at 31 December 2012 and the date of this report, the Target Company has direct or indirect interests in the following subsidiaries, the particulars of which are set out as follows:

Name of subsidiary	**Legal form, date and place of incorporation/ establishment and operation**	**Paid-up registered capital**	**Percentage of equity attributable to the Target Company**		**Principal activities**
			Direct	**Indirect**	
Guo Cang Holdings Limited	Limited liability company 28 September 2012 Hong Kong	HK$10,000,000	100	—	Investment holding
國藏酒業（四川）有限公司*	Limited liability company 11 December 2012 The People's Republic of China (the "**PRC**")	RMBNil#	—	100	Wholesale and retail trading of packaged foods and dairy products#

* *Wholly foreign owned enterprise.*

\# *During the Relevant Period and as of the date of this report, no registered capital (entire registered capital being US$3,000,000) has been paid up. The WFOE has not yet commenced such activities during the Relevant Period and remained dormant as at 31 December 2012 and the date of this report.*

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Listing Rules.

(b) Basis of measurement and presentation

The Financial Information has been prepared under the historical cost basis.

During the Relevant Period, the Total Grand Group incurred a loss of HK$40,393. The Total Grand Group reported net current liabilities and net liabilities of HK$40,293 as at 31 December 2012. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Total Grand Group's ability to continue as a going concern and therefore, the Total Grand Group may not be able to realise its assets and discharge liabilities in the normal course of business. The ultimate holding company of the Target Company has undertaken to provide continuing financial support to the Total Grand Group to meet its financial obligations as and when they fall due. Moreover, a director of a subsidiary of the Target Company has undertaken that he would not demand the repayment of the amount due by the Total Grand Group until the Total Grand Group is solvent in order to maintain the Total Grand Group as a going concern. Accordingly, the director of the Target Company considers that it is appropriate to prepare the Financial Information on a going concern basis.

The Financial Information does not include any adjustment that would result if the going concern basis is not appropriate. If the going concern basis was not to be appropriate, adjustments would have to be made to the Financial Information to reduce the assets of the Total Grand Group and the Target Company to their recoverable amounts, and to provide for any further liabilities which may arise to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

(c) Functional and presentation currency

The Financial Information is presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Target Company.

3. NEW/REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

The following new/revised HKFRSs, potentially relevant to the Financial Information, have been issued, but are not yet effective and have not been early adopted by the Total Grand Group.

HKFRSs (Amendments)	Annual Improvement to HKFRSs 2009–2011 Cycle[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 12	Disclosures of Interests with Other Entities[1]
HKAS 27 (2011)	Separate Financial Statements[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

The Total Grand Group is in the process of making an assessment of the potential impact of these pronouncements. The director of the Target Company so far concluded that the application of these new pronouncements will have no material impact on the Total Grand Group's results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Period. Control is achieved when the Target Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Period are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income, expenses and unrealised gains on transaction between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Total Grand Group.

(b) Subsidiaries

Subsidiaries are entities over which the Total Grand Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

Investments in subsidiaries are included in the Target Company's statement of financial position at cost less impairment loss. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Impairment of assets

At the end of the Relevant Period, the Total Grand Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Total Grand Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

(d) Financial Instruments

Financial assets and financial liabilities are recognised when the Total Grand Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

(i) Financial assets

Loans and receivables

The Total Grand Group's non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence existed, any impairment loss is determined and recognised as follows:

For loans and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Total Grand Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Total Grand Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense respectively over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability respectively, or where appropriate, a shorter period.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Total Grand Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(e) Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Total Grand Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the Relevant Period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Total Grand Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Total Grand Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Total Grand Group intends to settle its current tax assets and liabilities on a net basis.

(f) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the Relevant Period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the Relevant Period.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Total Grand Group's foreign operations are translated into the presentation currency of the Target Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the Relevant Period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the Relevant Period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(g) Provisions

Provisions are recognised when the Total Grand Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the Relevant Period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(h) Related parties

(a) A person or a close member of that person's family is related to the Total Grand Group if that person:

(i) has control or joint control over the Total Grand Group;

(ii) has significant influence over the Total Grand Group; or

(iii) is a member of key management personnel of the Total Grand Group or the Target Company's parent.

(b) An entity is related to the Total Grand Group if any of the following conditions apply:

(i) the entity and the Total Grand Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Total Grand Group or an entity related to the Total Grand Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; or

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Total Grand Group's accounting policies. In the opinion of the director of the Target Company, there is no estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities subsequent to the Relevant Period.

There is no significant effect on amounts recognised in the Financial Information arising from the judgement or estimates used by management.

6. LOSS BEFORE TAXATION, SEGMENT INFORMATION AND LOSS PER SHARE

This is arrived at after charging:

	Period from 16 August 2012 (date of incorporation of the Target Company) to 31 December 2012
	HK$
Director's remuneration	—
Auditor's remuneration	—

During the Relevant Period, the Total Grand Group has not incurred any staff costs and therefore no information of the five highest paid employees' emoluments is disclosed in the Financial Information.

The Total Grand Group's operating segment is structured and managed according to the nature of its operation. No segment reporting information is shown as the Total Grand Group has not carried out business during the Relevant Period and up to the date of this report.

The calculation of the basic loss per share for the Relevant Period is based on the consolidated loss for the period attributable to the owner of the Target Company and the weighted average number of 1 share outstanding.

No diluted loss per share is presented as there is no potential dilutive share during the Relevant Period.

7. TAXATION

No Hong Kong profits tax has been provided as the Total Grand Group has no estimated assessable profit arising in Hong Kong for the Relevant Period.

The taxation for the Relevant Period can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	Period from 16 August 2012 (date of incorporation of the Target Company) to 31 December 2012
	HK$
Loss before taxation	(40,393)
Taxation at the Hong Kong profits tax rate of 16.5%	(6,665)
Tax effect of expenses not deductible for tax purposes	6,665
Taxation for the period	—

There was no material unprovided deferred tax at the end of the Relevant period.

8. AMOUNTS DUE WITH A SHAREHOLDER AND A DIRECTOR OF A SUBSIDIARY

Amounts due with a shareholder and a director of a subsidiary are unsecured, interest-free and repayable on demand.

9. SHARE CAPITAL

	Number of shares	**Amount**
Authorised:		
Ordinary shares of US$1 each		
At date of incorporation and 31 December 2012	50,000	US$50,000
Issued and fully paid:		
Issue of share on incorporation and at 31 December 2012 *(Note)*	1	HK$8

Note: The Target Company was incorporated on 16 August 2012 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. 1 share of US$1 was issued to the subscriber to the memorandum of association at par for the initial capital.

10. COMMITMENTS AND SIGNIFICANT CONTRACTS

At the end of the Relevant Period, the Total Grand Group had the following capital commitments authorised but not contracted for:

The Total Grand Group has decided to acquire the entire equity interest in Guocang Wine Merchant in the sum of RMB10,000,000, equivalent to approximately HK$12,281,000, and remaining registered capital in the sum of RMB40,000,000, equivalent to approximately HK$49,124,000 would be injected after the above acquisition.

11. RELATED PARTY TRANSACTIONS

Save as the transactions detailed elsewhere in the Financial Information, during the Relevant Period, the Total Grand Group does not enter into any other transaction with a related party.

The key management personnel comprise the sole director of the Target Company whose remuneration is disclosed in Note 6.

12. CAPITAL RISK MANAGEMENT

The Total Grand Group's objective of managing capital is to safeguard the Total Grand Group's ability to continue as a going concern in order to provide returns for holding company and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Total Grand Group may adjust the amount of dividends paid to holding company, return capital to holding company, issue new shares or sell assets to reduce debts.

The capital structure of the Total Grand Group consists of reserves and share capital.

13. FINANCIAL RISK MANAGEMENT

The main risk arising from the Total Grand Group's financial instruments in the normal course of business is liquidity risk. This risk is limited by the Total Grand Group's financial management policy and practice described below:

(a) Liquidity risk

As the Total Grand Group has incurred loss for the Relevant Period and sustained net current liabilities and net liabilities as mentioned in Note 2(b), the ultimate holding company of the Target Company has undertaken to provide continuing financial support to the Total Grand Group to meet its financial obligations as and when they fall due. Moreover, a director of a subsidiary of the Target Company has undertaken that he would not demand the repayment of the amount due by the Total Grand Group until the Total Grand Group is solvent in order to maintain the Total Grand Group as a going concern.

(b) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 December 2012.

14. SUMMARY OF FINANCIAL ASSET AND LIABILITY BY CATEGORY

The carrying amounts of the Total Grand Group's financial asset and financial liability as recognised at 31 December 2012 may be categorised as follows:

	As at 31 December 2012 *HK$*
Financial asset	
Loan and receivable at amortised cost	8
Financial liability	
Financial liability at amortised cost	40,301

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2012 and up to the date of this report. No dividend or other distribution has been declared, made or paid by the Target Company in respect of any period subsequent to 31 December 2012.

Yours faithfully

For and on behalf of
BDO Limited
Certified Public Accountants
Hong Kong

LAM Siu Fung
Practising Certificate number: P05308

A ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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8 February 2013

The Board of Directors
Hua Yi Copper Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Guocang Wine Merchant Company Limited ("**Guocang Wine Merchant**") which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of Guocang Wine Merchant for the period from 26 September 2012 (date of establishment) to 31 December 2012 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information, prepared on the basis set out in Note 2 of Section C below, for inclusion in the circular of Hua Yi Copper Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") dated 8 February 2013 (the "**Circular**") in connection with the Group's proposed acquisition (the "**Acquisition**") of the entire issued share capital of Total Grand Investments Limited (the "**Target Company**") pursuant to the acquisition agreement dated 1 November 2012 and a supplemental agreement dated 23 January 2013. Upon the completion of a corporate restructuring as further detailed under the section headed "Information on the Target Group" of Letter from the Board included in the Circular which is one of the conditions precedent of the completion of the Acquisition, Guocang Wine Merchant would become a subsidiary of the Target Company on or before the completion of the Acquisition.

Guocang Wine Merchant was established as a limited liability company in the People's Republic of China (the "**PRC**") on 26 September 2012. Its registered office is 14th Floor, Building No. 4, Tianfu International Finance Centre, 966 Tianfu Avenue North Section, Hi-Tech Zone, Chengdu, Sichuan, China. The director of Guocang Wine Merchant considers that Sichuan Wugu Niangshen Wine Group Limited ("**Sichuan Wugu Niangshen**"), a company established in the PRC, is the immediate and ultimate holding company of Guocang Wine Merchant during the Relevant Period. During the Relevant Period and up to the date of this report, Guocang Wine Merchant remained inactive.

Guocang Wine Merchant has adopted 31 December as its financial year end date. As at the date of this report, no audited financial statements have been prepared for Guocang Wine Merchant since its establishment.

For the purpose of this report, the director of Guocang Wine Merchant has prepared the statement of financial position of Guocang Wine Merchant as at 31 December 2012, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of Guocang Wine Merchant for the Relevant Period (collectively the "**Underlying Financial Statements**"), in accordance with the basis of preparation set out in Note 2 of Section C below and accounting policies set out in Note 4 of Section C below which conform with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared by the director of Guocang Wine Merchant based on the Underlying Financial Statements with no adjustment made thereon and in accordance with the basis of preparation set out in Note 2 of Section C below.

The director of Guocang Wine Merchant is responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the basis of preparation set out in Note 2 of Section C below and the accounting policies set out in Note 4 of Section C below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and for such internal control as the director of Guocang Wine Merchant determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, for the purpose of this report, the Financial Information prepared on the basis set out in Note 2 of Section C below gives a true and fair view of the state of affairs of Guocang Wine Merchant as at 31 December 2012, and of the results and cash flows of Guocang Wine Merchant for the Relevant Period.

B FINANCIAL INFORMATION

Statement of Comprehensive Income

	Notes	**Period from 26 September 2012 (date of establishment) to 31 December 2012** *HK$*
Turnover		—
Other income	*6*	4,101
Administrative expenses		(1,056,974)
Loss before taxation	*7*	(1,052,873)
Taxation	*9*	—
Loss for the period		**(1,052,873)**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Exchange differences on translating foreign operation		47,771
Other comprehensive income for the period		47,771
Total comprehensive income for the period		**(1,005,102)**

Statement of Financial Position

	Notes	As at 31 December 2012 HK$
Non-current assets		
Property, plant and equipment	*10*	482,007
Current assets		
Prepayments, deposits and other receivables	*11*	97,047,554
Bank and cash balance		26,415
Total current assets		97,073,969
Current liabilities		
Other payables and accruals		102,682
Amount due to an equity owner	*11*	29,454,976
Amount due to a director	*11*	56,767,420
Total current liabilities		86,325,078
Net current assets		10,748,891
Net assets		11,230,898
EQUITY		
Paid-up capital	*12*	12,236,000
Reserves		(1,005,102)
Total equity		11,230,898

Statement of Changes in Equity

	Paid-up capital *HK$* *(Note 12)*	**Exchange reserve** *HK$*	**Accumulated loss** *HK$*	**Total** *HK$*
Capital injection upon establishment	12,236,000	—	—	12,236,000
Loss for the period	—	—	(1,052,873)	(1,052,873)
Other comprehensive income	—	47,771	—	47,771
	—	47,771	(1,052,873)	(1,005,102)
At 31 December 2012	12,236,000	47,771	(1,052,873)	11,230,898

Statement of Cash Flows

	Period from 26 September 2012 (date of establishment) to 31 December 2012
	HK$
Cash flows from operating activities	
Loss before taxation	(1,052,873)
Adjustments for:	
Interest income	(4,101)
Depreciation	25,438
Operating loss before working capital changes	(1,031,536)
Increase in prepayments, deposits and other receivables	(72,705,356)
Increase in other payables and accruals	102,916
Net cash used in operating activities	(73,633,976)
Cash flows from investing activities	
Interest received	4,101
Purchase of property, plant and equipment	(508,538)
Net cash used in investing activities	(504,437)
Cash flows from financing activities	
Capital injection	12,236,000
Advance from an equity owner	5,032,895
Advance from a director	56,895,992
Net cash generated from financing activities	74,164,887
Net increase in cash and cash equivalents	26,474
Effect of foreign exchange rate changes	(59)
Cash and cash equivalents at end of the period	26,415
Analysis of the balances of cash and cash equivalents	
Bank and cash balance	26,415

C NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Guocang Wine Merchant was established as a limited liability company in the People's Republic of China (the "**PRC**") on 26 September 2012. Its registered office and principal place of business is located at 14th Floor, Building No. 4, Tianfu International Finance Centre, 966 Tianfu Avenue North Section, Hi-Tech Zone, Chengdu, Sichuan, China.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Listing Rules.

(b) Basis of measurement

The Financial Information has been prepared under the historical cost basis.

(c) Functional and presentation currency

The director of Guocang Wine Merchant considers that the functional currency of Guocang Wine Merchant is Renminbi ("**RMB**"). The Financial Information is presented in Hong Kong dollars ("**HK$**") as the director of Guocang Wine Merchant considers it is more beneficial to the users of the Financial Information.

3. NEW/REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

The following new/revised HKFRSs, potentially relevant to the Financial Information, have been issued, but are not yet effective and have not been early adopted by Guocang Wine Merchant.

HKFRSs (Amendments)	Annual Improvement to HKFRSs 2009–2011 Cycle[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015

Guocang Wine Merchant is in the process of making an assessment of the potential impact of these pronouncements. The director of Guocang Wine Merchant so far concluded that the application of these new pronouncements will have no material impact on Guocang Wine Merchant's results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Equipment, furniture and fixtures	20%–33.33%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

(b) Impairment of assets

At the end of the Relevant Period, Guocang Wine Merchant reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Guocang Wine Merchant estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(c) Financial Instruments

Financial assets and financial liabilities are recognised when Guocang Wine Merchant becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

(i) Financial assets

Loans and receivables

Guocang Wine Merchant's non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the Relevant Period. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence existed, any impairment loss is determined and recognised as follows:

For loans and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When Guocang Wine Merchant is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Guocang Wine Merchant after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Guocang Wine Merchant are recorded at the proceeds received, net of direct issue costs.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense respectively over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability respectively, or where appropriate, a shorter period.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and Guocang Wine Merchant has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(d) Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Guocang Wine Merchant's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the Relevant Period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences except where Guocang Wine Merchant is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Guocang Wine Merchant expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Guocang Wine Merchant intends to settle its current tax assets and liabilities on a net basis.

(e) Foreign currencies

Transactions in currencies other than the functional currency of Guocang Wine Merchant (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the Relevant Period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the Relevant Period.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of Guocang Wine Merchant's are translated into the presentation currency of Guocang Wine Merchant (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the Relevant Period, and its income and expenses are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during the Relevant Period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. exchange reserve).

(f) Provisions

Provisions are recognised when Guocang Wine Merchant has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the Relevant Period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(g) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the period in which the associated services are rendered by employees.

(ii) Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. Guocang Wine Merchant has no further payment obligations once the contributions have been made.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(i) Related parties

(a) A person or a close member of that person's family is related to Guocang Wine Merchant if that person:

(i) has control or joint control over Guocang Wine Merchant;

(ii) has significant influence over Guocang Wine Merchant; or

(iii) is a member of key management personnel of Guocang Wine Merchant or Guocang Wine Merchant's parent.

(b) An entity is related to Guocang Wine Merchant if any of the following conditions apply:

(i) the entity and Guocang Wine Merchant are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of the employees of Guocang Wine Merchant or an entity related to Guocang Wine Merchant.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; or

(iii) dependents of that person or that person's spouse or domestic partner.

(j) Revenue recognition

Interest income from a financial asset is accrued on a time-apportioned basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying Guocang Wine Merchant's accounting policies. In the opinion of the director of Guocang Wine Merchant, there is no estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities subsequent to the Relevant Period.

There is no significant effect on amounts recognised in the Financial Information arising from the judgement or estimates used by management.

6. OTHER INCOME

An analysis of Guocang Wine Merchant's other income is as follows:

	Period from 26 September 2012 (date of establishment) to 31 December 2012 *HK$*
Interest income	4,101

7. LOSS BEFORE TAXATION, SEGMENT INFORMATION AND LOSS PER SHARE

This is arrived at after charging:

	Period from 26 September 2012 (date of establishment) to 31 December 2012 *HK$*
Auditor's remuneration	—
Depreciation of property, plant and equipment	25,438
Employee benefit expenses (including contributions to retirement benefit schemes of HK$48,442)	356,372

Guocang Wine Merchant's operating segment is structured and managed according to the nature of its operation. No segment reporting information is shown as Guocang Wine Merchant has not carried out business during the Relevant Period and up to the date of this report.

No loss per share is presented as Guocang Wine Merchant is not a company registered with share capital and hence calculation of loss per share is not relevant.

8. DIRECTOR'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) No remuneration was paid or payable to any director of Guocang Wine Merchant during the Relevant Period.

(b) *Five highest paid individuals*

The five highest paid individuals of Guocang Wine Merchant during the Relevant Period do not include director.

The remuneration of the five highest paid individuals which were all within the band from HK$Nil to HK$1,000,000 during the Relevant Period is as follows:

	Period from 26 September 2012 (date of establishment) to 31 December 2012 *HK$*
Salaries, allowances and benefits in kind	142,787
Contributions to retirement benefit schemes	20,515
	163,302

(c) During the Relevant Period, no remuneration was paid by Guocang Wine Merchant to the director or the five highest paid individuals as an inducement to join or upon joining Guocang Wine Merchant or as compensation for loss of office. There was no arrangement under which any director waived or agreed to waive any remuneration in respect of the Relevant Period and neither incentive payment nor compensation for loss of office paid to a director during the Relevant Period.

9. TAXATION

No Hong Kong profits tax has been provided as Guocang Wine Merchant has no estimated assessable profit arising in Hong Kong for the Relevant Period. The domestic tax rate of Guocang Wine Merchant in the PRC is the statutory PRC corporate income tax ("**CIT**") of 25%. No PRC CIT has been provided as Guocang Wine Merchant incurred loss during the Relevant Period.

The taxation for the Relevant Period can be reconciled to the loss before taxation per the statement of comprehensive income as follows:

	Period from 26 September 2012 (date of establishment) to 31 December 2012 *HK$*
Loss before taxation	(1,052,873)
Taxation at the statutory PRC CIT tax rate of 25%	(263,218)
Tax effect of income not taxable for tax purposes	(1,025)
Tax effect of expenses not deductible for tax purposes	264,243
Taxation for the period	—

There was no material unprovided deferred tax at the end of the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

	Equipment, furniture and fixtures *HK$*
COST:	
Additions	508,538
Exchange realignment	(1,149)
At 31 December 2012	507,389
ACCUMULATED DEPRECIATION:	
Charge for the period	25,438
Exchange realignment	(56)
At 31 December 2012	25,382
NET CARRYING AMOUNT:	
At 31 December 2012	482,007

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND AMOUNTS DUE TO AN EQUITY OWNER AND A DIRECTOR

Included in prepayments, deposits and other receivables are (i) prepayments for purchase of wine products of HK$78,601,000 paid to a supplier, Yibin Wuliangye (defined in Note 18); and (ii) a refundable security deposit of HK$18,442,000 paid to Sichuan Wugu Niangshen, an equity owner of Guocang Wine Merchant, details of which are set out in Note 18.

During the Relevant Period, included in the above prepayments for purchase of wine products is an amount of approximately HK$24,562,000 which was paid by Sichuan Wugu Niangshen, on behalf of Guocang Wine Merchant.

Amounts due to an equity owner (i.e. Sichuan Wugu Niangshen) and a director are unsecured, interest-free and repayable on demand.

12. PAID-UP CAPITAL

	HK$
Paid-up capital:	
Capital injection and at 31 December 2012 *(Note)*	12,236,000

Note: Guocang Wine Merchant was established on 26 September 2012 with registered capital of RMB50,000,000. During the Relevant Period and up to the date of this report, RMB10,000,000 (equivalent to approximately HK$12,236,000) has been paid up.

13. COMMITMENTS

At the end of the Relevant Period, Guocang Wine Merchant had the following capital commitments:

	HK$
Contracted but not provided for:	
Capital contributions into investees	2,613,000

14. RELATED PARTIES TRANSACTIONS

Save as transactions detailed elsewhere in the Financial Information, during the Relevant Period, Guocang Wine Merchant does not enter into any other transaction with a related party.

The key management personnel comprise the sole director of Guocang Wine Merchant whose remuneration is disclosed in Note 8.

15. CAPITAL RISK MANAGEMENT

Guocang Wine Merchant's objective of managing capital is to safeguard Guocang Wine Merchant's ability to continue as a going concern in order to provide returns for equity owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, Guocang Wine Merchant may adjust the amount of dividends paid to equity owner, return capital to equity owner or sell assets to reduce debts.

The capital structure of Guocang Wine Merchant consists of reserves and paid-up capital.

16. FINANCIAL RISK MANAGEMENT

The main risks arising from Guocang Wine Merchant in the normal course of business are credit risk and liquidity risk.

These risks are limited by Guocang Wine Merchant's financial management policies and practices described below:

(a) Credit risk

Guocang Wine Merchant's credit risk is primarily attributable to prepayments, deposits and other receivables, and bank and cash balance. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(b) Liquidity risk

Guocang Wine Merchant's policy is to ensure that its equity holders will provide the necessary funding to meet its liquidity requirements in the shorter and longer term.

(c) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 December 2012.

17. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of Guocang Wine Merchant's financial assets and financial liabilities as recognised at 31 December 2012 may be categorised as follows:

	As at 31 December 2012 *HK$*
Financial assets	
Loan and receivables (including bank and cash balance) at amortised cost	18,472,969
Financial liabilities	
Financial liabilities at amortised cost	86,325,078

18. SIGNIFICANT CONTRACTS

Guocang Wine Merchant entered into a distribution agreement with Sichuan Wugu Niangshen on 21 October 2012 under which Sichuan Wugu Niangshen granted the right of exclusive distribution of the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) to Guocang Wine Merchant for an indefinite period from 21 October 2012 in the PRC. A refundable security deposit of RMB15,000,000, equivalent to approximately HK$18,442,000, was paid by Guocang Wine Merchant to Sichuan Wugu Niangshen as at 31 December 2012.

Guocang Wine Merchant has also obtained the certificates of the distributor issued by Yibin Wuliangye Liquor Sales Co., Ltd. ("**Yibin Wuliangye**"), a subsidiary of Wuliangye Yibin Co., Ltd. (a company incorporated under the laws of the PRC with limited liabilities and the shares of which are listed on the Shenzhen Stock Exchange), under which Yibin Wuliangye granted the right of distribution of certain types of wine products under the Wuliangye Liquor Series to Guocang Wine Merchant for the period from 8 November 2012 to 31 December 2013 in the PRC.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Guocang Wine Merchant in respect of any period subsequent to 31 December 2012 and up to the date of this report. No dividend or other distributions has been declared, made or paid by Guocang Wine Merchant in respect of any period subsequent to 31 December 2012.

Yours faithfully

For and on behalf of
BDO Limited
Certified Public Accountants
Hong Kong

LAM Siu Fung
Practising Certificate number: P05308

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group. The following financial information is based on the financial information of the Total Grand Group and Guocang Wine Merchant as set out in Appendix II and Appendix III to this circular respectively.

BUSINESS AND FINANCIAL REVIEW

The Target Company and the Hong Kong Company were incorporated in the BVI and Hong Kong on 16 August 2012 and 28 September 2012, respectively, with limited liability and have not yet commenced business, except for investment holding. The WFOE was established in the PRC on 11 December 2012 with limited liability as a wholly-owned foreign enterprise under the laws of the PRC and holds the investment in Guocang Wine Merchant.

Guocang Wine Merchant is a domestic enterprise established in the PRC with a registered capital of RMB50,000,000 on 26 September 2012 and will be wholly-owned by the WFOE. It will engage in investment holding and the wine trading and distribution business in the PRC.

Immediately prior to and upon Completion, Guocang Wine Merchant will enter into a number of Cooperation Agreements with each of the Distributors to establish a number of joint venture companies in various provinces of the PRC. Each of the JV Companies will be owned as to 55% by Guocang Wine Merchant and 45% by the Distributor(s) and will be responsible for supervision and coordination of the Stores including selection of location of the Stores, supervision on the operation of the Stores and coordination of the ordering of wine products from Guocang Wine Merchant within the relevant province.

In addition, the Distributors will enter into the Cooperation Agreements with Guocang Wine Merchant to establish an extensive distribution networks of at least 300 Stores for distribution of wine products including the collections of Wuliangye and Wuliangye Niangshen in the PRC upon Completion, which expects to increase to not less than 500 Stores before 30 June 2013.

The Total Grand Group

The Total Grand Group had not recorded any turnover for the period from 16 August 2012 (date of incorporation) to 31 December 2012 and recorded loss attributable to the owner of the Target Company of HK$40,393 for the corresponding period. It mainly comprised of administration expenses. The Total Grand Group recorded net current liabilities and net liabilities of HK$40,293 as at 31 December 2012.

Guocang Wine Merchant

The business of the Target Group is conducted by Guocang Wine Merchant. Guocang Wine Merchant had not recorded any turnover for the period from 26 September 2012 (date of establishment) to 31 December 2012 and recorded loss attributable to the owners of Guocang

Wine Merchant of HK$1,052,873 for the corresponding period. It mainly comprised of administration expenses. Guocang Wine Merchant recorded net assets of HK$11,230,898 as at 31 December 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Total Grand Group

As at 31 December 2012, the Total Grand Group recorded audited net liabilities of HK$40,293, in which the total liabilities of HK$40,301 represented the amount due to a director of a subsidiary.

As the Total Grand Group had net liabilities at 31 December 2012, no gearing ratio is calculated.

Guocang Wine Merchant

As at 31 December 2012, the audited total assets, total liabilities and net assets of Guocang Wine Merchant amounted to approximately HK$97,555,976, HK$86,325,078 and HK$11,230,898 respectively. The current assets mainly comprised the prepayments, deposits and other receivables of HK$97,047,554 and bank and cash balance of HK$26,415. The cash and cash equivalents were primarily denominated in RMB. The total liabilities mainly included the amount due to an equity owner of HK$29,454,976 and the amount due to a director of HK$56,767,420.

The gearing ratio of Guocang Wine Merchant, calculated as total liabilities over total assets, was 0.88.

CAPITAL COMMITMENT

The Total Grand Group

The Total Grand Group had recorded capital commitments of HK$61,405,000, which represented (i) the investment cost of RMB10,000,000, equivalent to approximately HK$12,281,000, to acquire Guocang Wine Merchant and (ii) the capital injection to pay up the remaining registered capital of Guocang Wine Merchant of RMB40,000,000, equivalent to approximately HK$49,124,000, by the WFOE.

Guocang Wine Merchant

Guocang Wine Merchant had recorded capital commitments to the JV Companies of HK$2,613,000, which represented Guocang Wine Merchant's share of the contribution to the registered capital of the JV Companies.

FOREIGN CURRENCY RISK

Most of the assets and liabilities of the Total Grand Group and Guocang Wine Merchant are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the respective companies; and therefore does not expect any significant exposure to foreign currency risks.

CHARGE OF ASSETS

As at 31 December 2012, there was no pledge of assets of the Total Grand Group and Guocang Wine Merchant.

EMPLOYEES AND REMUNERATION POLICY

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned. The number of employees of the Total Grand Group and Guocang Wine Merchant were around nil and 19 as at 31 December 2012.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Total Grand Group and Guocang Wine Merchant did not have any significant investments, material acquisition and disposals for the period from 16 August 2012 (date of incorporation) to 31 December 2012 and 26 September 2012 (date of establishment) to 31 December 2012 respectively.

CONTINGENT LIABILITIES

The Total Grand Group and Guocang Wine Merchant did not have any contingent liabilities as at 31 December 2012.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The accompanying illustrative and unaudited pro forma financial information of the Enlarged Group (defined below) (the "**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma consolidated statement of financial position, has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition (the "**Acquisition**") of the entire issued share capital of Total Grand Investments Limited (the "**Target Company**", together with its subsidiaries, are collectively referred to the "**Total Grand Group**")) by Hua Yi Copper Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") pursuant to the acquisition agreement dated 1 November 2012 and a supplemental agreement dated 23 January 2013, as if the Acquisition had been completed on 30 June 2012.

Upon the completion of a corporate restructuring (the "**Target Group Corporate Reorganisation**") as further detailed under the section headed "**Information on the Target Group**" of Letter from the Board included in the Circular (defined below) which is one of the conditions precedent of the completion of the Acquisition, the Total Grand Group would acquire entire equity interest in Guocang Wine Merchant Company Limited ("**Guocang Wine Merchant**") which would own 55% equity interests in certain joint venture companies to be established in various provinces of the People's Republic of China (the "**JV Companies**"). The Total Grand Group, Guocang Wine Merchant and the JV Companies are collectively referred to as the Target Group. The Target Group together with the Group are hereinafter collectively referred to as the Enlarged Group. Terms used herein shall have the same meanings as defined in the circular of the Company dated 8 February 2013 (the "**Circular**") unless stated otherwise.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on (i) the audited consolidated statement of financial position of the Group as at 30 June 2012 which has been extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 30 June 2012; (ii) the audited consolidated statement of financial position of the Total Grand Group as at 31 December 2012 as extracted from the accountants' report of the Total Grand Group set out in Appendix II to the Circular; and (iii) the audited statement of financial position of Guocang Wine Merchant as at 31 December 2012 as extracted from the accountants' report of Guocang Wine Merchant set out in Appendix III to the Circular, after making unaudited pro forma adjustments that are directly attributable to the Acquisition.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group, it may not give a true picture of the actual financial position of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the date indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position.

2. Unaudited pro forma consolidated statement of financial position of the Enlarged Group

	The Group	The Total Grand Group	Guocang Wine Merchant	Unaudited pro forma adjustments				Unaudited pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note 2)	*(Note 3)*	*(Notes 4 and 5)*	*(Note 6)*	
Non-current assets								
Property, plant and equipment	131,679	—	482	—	—	—	—	132,161
Prepayments for acquisition of property, plant and equipment and exploration and evaluation asset	7,650	—	—	—	—	—	—	7,650
Prepaid lease payments for land	9,934	—	—	—	—	—	—	9,934
Investments in the JV Companies	—	—	—	2,613 (2,613)	—	—	—	—
Intangible assets	—	—	—	—	—	297,493	—	297,493
Goodwill	—	—	—	—	—	298,070	—	298,070
	149,263	—	482	—	—	595,563	—	745,308
Current assets								
Inventories	26,471	—	—	—	—	—	—	26,471
Debtors, other receivables, deposits and prepayments	49,241	—	97,048	—	—	—	—	146,289
Bills receivable	14,065	—	—	—	—	—	—	14,065
Loans receivable	19,338	—	—	—	—	—	—	19,338
Prepaid lease payments for land	240	—	—	—	—	—	—	240
Financial assets at fair value through profit or loss	134,045	—	—	—	—	—	—	134,045
Bank balances and cash	288,212	—	26	2,613	—	—	—	290,851
	531,612	—	97,074	2,613	—	—	—	631,299
Current liabilities								
Creditors, other advances and accruals	25,818	40	103	2,613	86,222	—	2,700	117,496
Borrowings	62,195	—	—	—	—	—	—	62,195
Due to an equity owner	—	—	29,455	—	(29,455)	—	—	—
Due to a director	—	—	56,767	—	(56,767)	—	—	—
Taxation	398	—	—	—	—	—	—	398
Derivative financial liabilities	2,948	—	—	—	—	—	—	2,948
	91,359	40	86,325	2,613	—	—	2,700	183,037
Net current assets	440,253	(40)	10,749	—	—	—	(2,700)	448,262
Total assets less current liabilities	589,516	(40)	11,231	—	—	595,563	(2,700)	1,193,570
Non-current liabilities								
Deferred tax liabilities	724	—	—	—	—	74,373	—	75,097
	724	—	—	—	—	74,373	—	75,097
Net assets	**588,792**	**(40)**	**11,231**	**—**	**—**	**521,190**	**(2,700)**	**1,118,473**

	The Group	The Total Grand Group	Guocang Wine Merchant	Unaudited pro forma adjustments				Unaudited pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note 2)	*(Note 3)*	*(Notes 4 and 5)*	*(Note 6)*	
Capital and reserves								
Share capital/paid-up capital	149,771	—	12,236	2,613 (2,613)	—	(12,236)	—	149,771
Convertible preference shares	—	—	—	—	—	532,381	—	532,381
Reserves	439,021	(40)	(1,005)	—	—	1,045	(2,700)	436,321
Total equity	588,792	(40)	11,231	—	—	521,190	(2,700)	1,118,473

Notes to the Unaudited Pro Forma Financial Information:

1. Pursuant to the acquisition agreement dated 1 November 2012 (the "**Agreement**") and a supplemental agreement dated 23 January 2013 (the "**Supplemental Agreement**"), the completion of the Target Group Corporate Reorganisation is one of the conditions precedent of the completion of the Acquisition, upon which the Total Grand Group would acquire entire equity interest in Guocang Wine Merchant which would own 55% equity interests in the JV Companies. As of the date of this Circular, the Target Group Corporate Reorganisation has not completed and the JV Companies have not been established.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Unaudited Pro Forma Financial Information has been prepared as if both the Target Group Corporate Reorganisation (including the establishment of the JV Companies) and the Acquisition had been completed on 30 June 2012.

2. This adjustment reflects the effects of (i) the establishment of the JV Companies by Guocang Wine Merchant as if the JV Companies had been established as at 30 June 2012 under the Target Group Corporate Reorganisation; and (ii) the elimination of the investment costs of the JV Companies in Guocang Wine Merchant against their aggregate paid-up capital as at 30 June 2012.

   As of the date of this report, the number of the JV Companies planned to be established by Guocang Wine Merchant is 19 and each of the JV Companies would have an initial registered and paid-up capital of RMB200,000 (equivalent to approximately HK$250,000). Therefore the Guocang Wine Merchant's total investment cost in these 55%-owned JV Companies is estimated at approximately HK$2,613,000. As of the date of this report, the details of the funding by Guocang Wine Merchant for the investment cost of HK$2,613,000 have yet to be determined and therefore the corresponding liabilities of Guocang Wine Merchant are accounted for as other payables and included in creditors, other advances and accruals for the purpose of this Unaudited Pro Forma Financial Information.

   In the opinion of the directors of the Company, upon the establishment of the JV Companies and the completion of the Acquisition, the JV Companies would become subsidiaries of the Enlarged Group and the financial statements of which will be consolidated into the financial statements of the Enlarged Group. For the purpose of this Unaudited Pro Forma Financial Information, the paid-up capital of the JV Companies in the aggregate amount of HK$2,613,000 received by the JV Companies are included in bank balances and cash of the Enlarged Group.

   As the detailed arrangements regarding capital contributions into the JV Companies have to be determined with each of the Distributors (i.e. 45% equity owners of the JV Companies) as of the date of this report, the directors of the Company are of opinion that the Enlarged Group's timely capital contributions into the JV Companies upon completion of the Acquisition are under the control of the Enlarged Group and therefore only the Enlarged Group's capital contributions in the aggregate amount of HK$2,613,000 are assumed to be made upon the completion of the Acquisition and accounted for in this Unaudited Pro Forma Financial Information.

3. As of the date of this report, the details of the Total Grand Group's acquisition of entire equity interest in Guocang Wine Merchant, including the settlement method of the amounts due to an equity owner and a director of HK$86,222,000 in aggregate, has yet to be finalised. The directors of the Company consider that the amounts would remain as liabilities of Guocang Wine Merchant and hence the Enlarged Group, upon the completion of the Target Group Corporate Reorganisation.

   This adjustment reflects the reclassification of Guocang Wine Merchant's amounts due to an equity owner and a director of Guocang Wine Merchant into other payables included in creditors, other advances and accruals of the Enlarged Group upon the completion of the Target Group Corporate Reorganisation and the Acquisition, as they are no longer in those capacities upon the completion of the Target Group Corporate Reorganisation and Acquisition.

4. Pursuant to the Agreement and the Supplemental Agreement among the Group, the vendor and the guarantor, the consideration of the Acquisition in the nominal sum of HK$260,000,000 would be fully settled by the issuance of a total of 1,238,095,238 unlisted convertible preference shares of the Company in the notional value of HK$0.21 each (the "**Convertible Preference Shares**") upon the completion of the Acquisition. For the purpose of this Unaudited Pro Forma Financial Information, the fair value of the Convertible Preference Shares was determined by the directors of the Company with reference to the valuation conducted by Grant Sherman Appraisals Limited ("**Grant Sherman**"), an independent firm of professionally qualified valuers, at approximately HK$532,381,000, which is determined with reference to the closing price of the shares of the Company, at HK$0.43 each as at 31 December 2012, being the latest practicable date for the purpose of this Unaudited Pro Forma Financial Information.

   The fair values of the Convertible Preference Shares shall be re-assessed on the actual date of their issuance and are therefore subject to change.

5. This adjustment reflects (i) the fair value adjustments to the identifiable assets and liabilities of the Target Group and the recognition of goodwill as if the Target Group Corporate Reorganisation and the Acquisition had been completed on 30 June 2012; and (ii) the elimination of the entire aggregate amount of investments in subsidiaries against the aggregate paid-up capital of HK$12,236,000 and pre-acquisition reserves in the deficit amount of HK$1,045,000 of the Target Group as at 31 December 2012.

   In the opinion of the directors of the Company, upon the completion of the Acquisition, the identifiable assets and liabilities of the Target Group would be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". For the purpose of the Unaudited Pro Forma Financial Information, the fair value of identifiable assets and liabilities of the Target Group as at 31 December 2012 was determined by the directors of the Company with reference to the valuation conducted by Grant Sherman as follows:

	Carrying amount as at 31 December 2012	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	482	—	482
Intangible assets *(Note (a))*	—	297,493	297,493
Debtors, other receivables, deposits and prepayments	97,048	—	97,048
Bank balances and cash (including the effect of *Note 2*)	2,639	—	2,639
Creditors, other advances and accruals (including the effects of *Notes 2 and 3*)	(88,978)	—	(88,978)
Deferred tax liabilities *(Note (b))*	—	(74,373)	(74,373)
	11,191	223,120	234,311

Note (a): It represented the aggregate amount of fair values of (i) the right of distribution of certain types of wine products under the wine band, Wuliangye, in the Peoples' Republic of China (the "**PRC**"); (ii) the right of exclusive distribution of wine band, the Wuliangye Niangshen Liquor Series (except Niangshen 101 series) in the PRC; and (iii) the distribution networks of at least 300 stores, as identified by the directors of the Company.

Note (b): It represented the deferred tax liabilities arising from the fair value adjustments on intangible assets in the aggregate amount of HK$297,493,000 with reference to the applicable corporate income tax rate of 25% in the PRC.

Goodwill arising from the Acquisition is calculated as follows:

	HK$'000
Consideration for the Acquisition at the estimated fair value of the consideration transferred *(Note 4)*	532,381
Fair value of the net identifiable assets and liabilities of the Target Group acquired as at 31 December 2012	(234,311)
Goodwill	298,070

The fair values of the consideration, the identifiable assets and liabilities of the Target Group and the goodwill derived from the Acquisition are subject to change and shall be re-assessed at time of actual completion of the Acquisition.

For the purpose of this Unaudited Pro Forma Financial Information, the directors of the Company have ensured that the steps taken on the assessment of impairment on goodwill have been properly performed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" which is consistent with the accounting policy of the Group. Based on the assessment of the directors of the Company on the business plan to be executed and the recoverable amount of the business to be acquired, the directors of the Company consider that there is no impairment on the goodwill arising from the Acquisition as at 30 June 2012 as if the Acquisition had been completed on the same date. On that basis, the directors of the Company concluded that no impairment in the value of goodwill is considered necessary for the purpose of this Unaudited Pro Forma Financial Information.

6. The adjustment reflects the estimated legal and professional expenses of approximately HK$2,700,000 that are directly attributable to the Acquisition which is recognised in the profit or loss of the Enlarged Group and the payable amount is included in creditors, other advances and accruals.

   This adjustment will not have continuing profit or loss effect to the Enlarged Group.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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8 February 2013

The Board of Directors
Hua Yi Copper Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Hua Yi Copper Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") in connection with the Group's proposed acquisition (the "**Acquisition**") of the entire issued share capital of Total Grand Investments Limited (the "**Target Company**", together with its subsidiaries, are collectively referred to as the "**Total Grand Group**") pursuant to the acquisition agreement dated 1 November 2012 and a supplemental agreement dated 23 January 2013, which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the Group's Acquisition might have affected the financial information of the Group, for inclusion in Appendix V to the circular of the Company dated 8 February 2013 (the "**Circular**"). Upon the completion of a corporate restructuring as further detailed under the section headed "Information on the Target Group" of Letter from the Board included in the Circular which is one of the conditions precedent of the completion of the Acquisition, the Total Grand Group would acquire entire equity interest in Guocang Wine Merchant Company Limited ("**Guocang Wine Merchant**") which would own 55% equity interests in certain joint venture companies to be established in various provinces of the People's Republic of China (the "**JV Companies**"). The Total Grand Group, Guocang Wine Merchant and the JV Companies are collectively referred to as the Target Group. The Target Group together with the Group are hereinafter collectively referred to as the Enlarged Group.

The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix V to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited 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" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited 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 Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis in consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2012 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, so far as such policies related to the transactions; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
BDO Limited
Certified Public Accountants
Hong Kong

1. INTERPRETATION

In these Terms, unless the context otherwise requires, the following expressions which apply exclusively to these Terms shall have the following meanings:

(A)

"Agreement" means the agreement dated 1 November 2012 (as supplemented by supplemental agreement dated 23 January 2013) entered into among Goldsure Limited as vendor, Max June Limited as purchaser, Hua Yi Copper Holdings Limited as the Company and Tang Tong as the vendor's guarantor in relation to the sale and purchase of the entire issued share capital in Total Grand Investments Limited and the supplemental agreement and such other documents as may be amending or supplementing it from time to time;

"Auditors" means the auditors of the Company for the time being;

"Business Day" means a day (excluding a Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business during their normal business hours;

"Bye-laws" means the bye-laws for the time being adopted by the Company and as amended from time to time;

"Certificate" means a certificate issued by the Company in the name of the Convertible Preference Shareholder in respect of his holding of one or more Convertible Preference Shares;

"Closing Price" means the closing price per Ordinary Share on the Relevant Stock Exchange, as published by the Relevant Stock Exchange or, in the absence of any such published closing price, the last published closing price;

"Company" means Hua Yi Copper Holdings Limited;

"Conversion Date" means, subject to paragraph 5(G), 12 noon on the Business Day immediately following the date of the surrender of the relevant Certificate and delivery of the Conversion Notice therefor accompanied by the documents referred to in paragraph 5(B);

"Conversion Notice" means a notice, in such form as the Directors may from time to time specify, stating that a Convertible Preference Shareholder wishes to exercise the Conversion Right in respect of one or more Convertible Preference Shares;

"Conversion Number" means, in relation to any Convertible Preference Share, such number of Ordinary Shares as may, upon exercise of the Conversion Right, be converted at the Conversion Price in force on the relevant Conversion Date;

"Conversion Period" means, in respect of any Convertible Preference Share, any time commencing from 3:00 p.m. (Hong Kong time) on the Business Day immediately after the date of issue of such Convertible Preference Shares and up to 4:00 p.m. (Hong Kong time) on the date of all Convertible Preference Shares being converted or purchased in full (or such earlier date as may be required under the Statutes);

"Conversion Price" means the price at which each Ordinary Share will be allotted and issued upon an exercise of the Conversion Right, initially being equivalent to the Notional Value, subject to any adjustment in accordance with these Terms;

"Conversion Right" means the right, subject to the provisions of these Terms, the Statutes and to any other applicable fiscal or other laws or regulations to convert at any time during the Conversion Period any Convertible Preference Share at the Conversion Price;

"Conversion Share(s)" means Ordinary Share(s) to be issued upon an exercise of the Conversion Rights;

"Convertible Preference Shares" means the convertible preference shares of HK$0.05 each in the capital of the Company;

"Convertible Preference Shareholder" means a person or persons who is or are registered in the Register as a holder or jointholders of Convertible Preference Shares;

"Converting Shareholder" means a Convertible Preference Shareholder all or some of whose Convertible Preference Shares are being or have been converted;

"Dealing Day" means a day on which the Relevant Stock Exchange is open for business and on which trading in the Ordinary Shares or other relevant securities is not suspended;

"Directors" means the board of directors of the Company or the directors present at a meeting of directors at which a quorum is present;

"Dividend" means any dividend payable pursuant to paragraph 2;

"Equity Share Capital" means issued share capital excluding any part thereof which neither as respect dividends nor as respects capital carries any right to participate beyond a specified amount in a distribution;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Hong Kong Stock Exchange" means The Stock Exchange of Hong Kong Limited;

"Issue Date" means, in respect of any Convertible Preference Share, the date on which the Convertible Preference Share was allotted and issued;

"Listing Rules" means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;

"Notional Value" means the price at which each Convertible Preference Share was initially issued, being HK$0.21;

"Ordinary Shares" means fully paid ordinary shares of HK$0.05 each (or of such other nominal value in which such ordinary shares are for the time being denominated following any consolidation or sub-division which gives rise to an adjustment to the Conversion Price in accordance with paragraph 7) in the Company of the class listed on the Hong Kong Stock Exchange or, where the context so requires, shares resulting from the re-designation or reclassification of all the Ordinary Shares outstanding, provided that if all of the Ordinary Shares are replaced by other securities (all of which are identical), the expression "Ordinary Shares" shall thereafter refer to those other securities;

"outstanding" means in relation to the Convertible Preference Shares, all the Convertible Preference Shares issued other than:

(A) those in respect of which Conversion Rights have been exercised and which have been cancelled in accordance with these Terms; or

(B) those which have been purchased and cancelled as provided in paragraph 9;

"Record Date" means the date and time by which a subscriber or transferee of securities of the class in question would have to be registered in order to participate in the relevant distribution or rights;

"Register" means the register of Convertible Preference Shareholders required to be maintained by the Company pursuant to paragraph 17(B);

"Relevant Convertible Preference Shares" means a Convertible Preference Share which is to be converted pursuant to a Conversion Notice;

"Relevant Jurisdiction" means a jurisdiction in which the Company or any of its subsidiaries is incorporated, carries on business or holds any assets;

"Relevant Stock Exchange" means (A) the stock exchange on which the Ordinary Shares are at the relevant time principally traded, as determined by the Company, or (B) if, for the purposes of paragraph 7, the consideration at which any shares or securities are or are to be issued or transferred, or the relevant exercise, exchange or subscription price, if any, for such shares or securities, is to be fixed by reference to the price of such shares or securities on a particular stock exchange, that stock exchange;

"Statutes" means the Companies Act 1981 of Bermuda, as amended from time to time, and every other act of the legislature of Hong Kong or Bermuda for the time being in force applying to or affecting the Company, its memorandum of association and/or the Bye-laws;

"Terms" means the terms of issue rights and privileges of the Convertible Preference Shares and the restrictions to which they are subject as set out herein and as may be amended from time to time; and

"Hong Kong dollars" or "HK$" means the lawful currency of Hong Kong.

(B) In these Terms, references to:

"companies" include references to any bodies corporate however and wherever incorporated;

"distribution" include references to any dividend;

"paragraphs" are references to the paragraphs of these Terms;

"property" include references to shares, securities, cash and other assets or rights of any nature;

"dates" and "times" are to dates and times in Hong Kong; and

a "gender" include any other gender.

2. INCOME, DIVIDEND AND OTHER DISTRIBUTIONS

Each outstanding Convertible Preference Share shall confer, in case of any dividend or distribution being declared and paid by the Company to holders of the Ordinary Shares, on the holder thereof the same entitlement to dividend as holder of the number of Ordinary Shares into which such Convertible Preference Share may be converted upon exercise of Conversion Rights attached thereto.

3. CAPITAL

On a return of capital on liquidation (but not on conversion or purchase) the Convertible Preference Shares shall confer on the Convertible Preference Shareholders the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company, pari passu as between themselves an amount equal to the aggregate Notional Value of the Convertible Preference Shares. The Convertible Preference Shares shall not confer on the holders thereof any further or other right to participate in the assets of the Company.

4. RANKING

The Company shall not (unless such sanction has been given by the Convertible Preference Shareholders as would be required for a variation of the special rights attaching thereto or unless otherwise provided in the Bye-laws) create or issue any shares ranking as regards order in the participation in the profits of the Company or in the assets of the Company on a winding up or otherwise in priority to the Convertible Preference Shares, but the Company may create or issue, without obtaining the consent of the Convertible Preference Shareholders, shares ranking pari passu in all respects (including as to class) with the Convertible Preference Shares and the existing and further Ordinary Shares.

5. CONVERSION

(A) Each Convertible Preference Share shall confer on the holder thereof the Conversion Right.

(B) Subject to paragraph 5(D), any Convertible Preference Shareholder may exercise the Conversion Right in respect of one or more Convertible Preference Shares held by him at any time during the Conversion Period subject to the provisions of the Statutes and any other applicable fiscal and other laws and regulations by delivering a duly signed and completed Conversion Notice to the Company accompanied by:

(1) the Certificates in respect of the Relevant Convertible Preference Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right (or, if such Certificates have been lost or destroyed, such evidence of title and such indemnity as the Directors may reasonably require); and

(2) banker's cashier orders or similar instruments payable to the Company in respect of all taxes and stamp, issue and registration duties (if any) arising on conversion.

A Conversion Notice shall not be effective if:

(i) it is not accompanied by the Certificates in respect of the Relevant Convertible Preference Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right (or, if such Certificates have been lost or destroyed, such evidence of title and such indemnity as the Directors may reasonably require);

(ii) it is not accompanied by banker's cashier orders or similar instruments payable to the Company in respect of all taxes and stamp, issue and registration duties (if any) arising on conversion; and

(iii) it does not include a declaration and confirmation that the beneficial owner of the Relevant Convertible Preference Shares, and of the Conversion Shares, is not a resident or national of any foreign jurisdiction where the exercise of the Conversion Rights attached to the Relevant Convertible Preference Shares is prohibited by any law or regulation of that jurisdiction or where compliance with such laws or regulations would require filing or other action by the Company; or that delivery of the Relevant Convertible Preference Shares or Conversion Shares will not result in a breach of any exchange control, fiscal or other laws or regulations for the time being applicable.

(C) The number of Conversion Shares to be issued on each conversion shall be determined by dividing the aggregate Notional Value of the Relevant Convertible Preference Shares by the Conversion Price applicable on the Conversion Date provided that no fraction of an Ordinary Share arising on conversion shall be allotted and all fractional entitlements shall be dealt with in accordance with paragraph 12.

(D) Conversion of the Convertible Preference Shares shall be effected in such manner as the Directors shall subject to these Terms, the Bye-laws, the Statutes and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; (2) to the extent that following such exercise, the relevant Convertible Preference Shareholder and parties acting in concert with it, taken together, will be required to make a mandatory offer for all issued securities of the Company pursuant to the Hong Kong Code on Takeovers and Mergers; (3) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with it, taken together, will hold equal to or exceed 20% of the issued share capital of the Company; or (4) if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Hong Kong Stock Exchange.

(E) Each Convertible Preference Shareholder irrevocably authorises the Company to effect the transactions required by paragraph 5(D) and for this purpose the Company may appoint any person to execute transfers, renunciations or other documents on behalf of the Convertible Preference Shareholder and generally may make all arrangements which appear to it to be necessary or appropriate in connection therewith.

(F) The Company shall allot and issue the Conversion Shares or, as the case may be, send the amount to which he is entitled pursuant to paragraph 5(D) to the Converting Shareholder and shall procure that certificates in respect of the Conversion Shares, together with a new Certificate for any unconverted Convertible Preference Shares comprised in the Certificate(s) surrendered by the Converting Shareholder, are issued as soon as practicable and in any event not later than 14 days after the relevant Conversion Date.

(G) If and whenever any conversion takes place after the occurrence of any event falling within any sub-provision of paragraph 7(A) but before the amount of the relevant adjustment to the Conversion Price (if any) shall have been calculated in accordance with the provisions of paragraph 7(A), the Conversion Date shall be deemed to fall on the Business Day after the date the adjustment made to the Conversion Price in respect of the relevant event has become effective.

(H) In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company at the same time it despatches such notice to each member of the Company shall give notice thereof to all Convertible Preference Shareholders (together with a notice of the existence of the provisions of this paragraph 5(H)) and thereupon, each Convertible Preference Shareholder shall be entitled to exercise all or any of his Conversion Rights at any time not later than two Business Days prior to the date of the general meeting of the Company by providing the Company a Conversion Notice duly completed and executed together with the Certificates, cashier orders and, where appropriate, other items listed in paragraphs 5(B)(1) and (2) whereupon the Company shall, subject to the Statutes, as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the general meeting, allot the Conversion Shares to the Relevant Convertible Preference Shareholders credited as fully paid. There shall not be any issuance of Conversion Shares and/or alteration in the status of the members of the Company after the commencement of winding up unless permitted under the Statutes.

6. CONVERSION SHARES

The Conversion Shares shall, save as provided for in these provisions, rank pari passu in all respects with the Ordinary Shares in issue at the time the Conversion Shares are issued, and shall, subject to the proviso of this paragraph 6, entitle the holders thereof to all distributions paid or made on the Ordinary Shares by reference to a Record Date falling after the Conversion Date, provided that if a Record Date after the Conversion Date is in respect of any distribution for any financial period of the Company ended prior to such Conversion Date, the holders of the Conversion Shares will not be entitled to such distribution.

7. ADJUSTMENTS TO THE CONVERSION PRICE

(A) Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of subparagraphs (1) to (7) inclusive of this paragraph 7, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:

(1) If and whenever there shall be an alteration in the nominal value of the Ordinary Shares by reason of any consolidation or sub-division, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal value of one Ordinary Share immediately after such alteration and of which the denominator shall be the nominal value of one Ordinary Share immediately before such alteration and such adjustment shall become effective on the date on which such alteration takes effect.

(2) If and whenever the Company shall capitalise any amount of profits or reserves (including any share premium account or contributed surplus account) and apply the same in paying up in full the nominal value of any Ordinary Shares (other than any Ordinary Shares credited as fully paid out of distributable profits or reserves (including any share premium account or contributed surplus account) and issued in lieu of the whole or any part of a cash dividend or specie distribution which the holders of the Ordinary Shares concerned would or could otherwise have received and which would not have constituted a Capital Distribution (as defined in paragraph 7(B))), the Conversion Price in force immediately prior to the Record Date therefor shall be adjusted by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such issue and of which the denominator shall be the aggregate nominal amount of the issued Ordinary Shares immediately after such issue. Such adjustment shall be effective immediately after the Record Date for such issue.

(3) If and whenever the Company shall make any Capital Distribution, the Conversion Price in force immediately prior to such distribution shall be adjusted by multiplying it by the following fraction:

$$(K - L) \div K$$

where:

K is the Closing Price of one Ordinary Share on the Dealing Day immediately preceding the date on which the Capital Distribution is announced or (failing any such announcement), the Dealing Day immediately preceding the Record Date for the Capital Distribution;

L is the fair market value on the date of such announcement or (as the case may require) the Dealing Day immediately preceding the Record Date for the Capital Distribution, as determined in good faith by an approved merchant bank (selected at the option of the Company) or the Auditors of the portion of the Capital Distribution which is attributable to one Ordinary Share.

Provided that:

(a) if in the opinion of the relevant approved merchant bank or the Auditors (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed accordingly) the amount of the said Closing Price which should properly be attributed to the value of the Capital Distribution; and

(b) the provisions of this sub-paragraph (3) shall not apply in relation to the issue of Ordinary Shares paid out of profits or reserves and issued in lieu of a cash dividend nor to a purchase by the Company of its own Ordinary Shares in accordance with the provisions of the Companies Act.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the Record Date for the Capital Distribution.

(4) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Ordinary Shares, at a price which is less than 80 per cent. of the market price (as defined in paragraph 7(B)) at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$(K + L) \div M$$

where:

K is the number of Ordinary Shares in issue immediately before the date of such announcement;

L is the number of Ordinary Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Ordinary Shares comprised therein would purchase at such market price; and

M is the number of Ordinary Shares in issue immediately before the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the Record Date for the offer or grant.

(5) (a) If and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Ordinary Shares and the total Effective Consideration (as defined below) per Ordinary Share initially receivable for such securities is less than 80 per cent. of the price which is the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$(K + L) \div (K + M)$$

where:

K is the number of Ordinary Shares in issue immediately before the date of the issue;

L is the number of Ordinary Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price; and

M is the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day immediately preceding whichever is the earlier of the date on which the issue is announced and the date on which the issuer determines the conversion or exchange rate or subscription price.

(b) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (a) of this sub-paragraph (5) are modified so that the total Effective Consideration per Ordinary Share initially receivable for such securities shall be less than 80 per cent. of the price which is the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$(K + L) \div (K + M)$$

where:

K is the number of Ordinary Shares in issue immediately before the date of such modification;

L is the number of Ordinary Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at the market price at the date of the announcement of such proposal; and

M is the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (5), the "total Effective Consideration" receivable for the securities issued shall be deemed to be the consideration receivable by the issuer for the issue of any such securities plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of such subscription rights and the Effective Consideration per Ordinary Share initially receivable for such securities shall be such aggregate consideration divided by the number of Ordinary Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(6) If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to employees, including directors of the Company or any of its Subsidiaries, or their personal representatives, pursuant to an employee share scheme) at a price per Ordinary Share which is less than 80 per cent. of the market price current at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares so issued. Such adjustment shall become effective on the date of the issue.

(7) If and whenever the Company shall purchase any Ordinary Shares or securities issued by the Company or any of its subsidiaries which are convertible into or exchangeable for Ordinary Shares or any rights to acquire Ordinary Shares (other than on the Relevant Stock Exchange) and the Directors of the Company cancel such Ordinary Shares, securities convertible into or exchangeable for Ordinary Shares or rights to acquire Ordinary Shares, the Directors of the Company may if they consider it appropriate make an adjustment to the Conversion Price, provided that the Directors shall have appointed an approved merchant bank or the Auditors to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved merchant bank or the Auditors shall consider in its opinion that it is appropriate to make an adjustment to the Conversion Price, the Directors shall make an adjustment to the Conversion Price in such manner as such approved merchant bank or the Auditors shall certify to be, in its opinion, appropriate. Such adjustment shall

become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day immediately preceding the date on which such purchases by the Company are made.

(B) For the purposes of paragraph 7(A):

"announcement" shall include the releases of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the Relevant Stock Exchange and "date of announcement" shall mean the date on which the announcement is first so released, delivered or transmitted;

"Capital Distribution" means any distribution paid or made by the Company on Ordinary Shares to the extent that the amount of such distribution exceeds the amount calculated by reference to P – D where:

P is the aggregate of the net consolidated profits less the aggregate of the net consolidated losses of the Company and its subsidiaries after taxation and minority interests but before extraordinary items in respect of the financial period ended on 30 June 2012 and each subsequent financial period in respect of which an audited consolidated profit and loss account of the Company and its subsidiaries (or, if it has at the relevant time no subsidiaries, an audited profit and loss account of the Company) has been published, as shown by such profit and loss account(s);

D is the aggregate amount of all distributions then already paid or made by the Company on Ordinary Shares in respect of any and all financial periods ended on or after 30 June 2012; provided that if such amount is greater than "P", then "D" shall be deemed to be equal to "P";

"market price" means the average of the closing prices of one Ordinary Share on the Relevant Stock Exchange in respect of dealings in board lots for the five consecutive Dealing Days ending on the last Dealing Day preceding the day on or as of which the market price is to be ascertained.

(C) The provisions of sub-paragraphs (2), (3), (4), (5) and (6) of paragraph 7(A) shall not apply to:

(1) an issue of fully paid Ordinary Shares upon the exercise of any conversion rights attached to securities convertible into Ordinary Shares or upon exercise of any rights (including the Conversion Rights attaching to the Convertible Preference Shares) to acquire Ordinary Shares or any other convertible securities convertible into Ordinary Shares issued pursuant to or under the Agreement;

(2) an issue of Ordinary Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Ordinary Shares to directors or employees of the Company or any of its subsidiaries or their personal representatives pursuant to an employee share scheme;

(3) an issue by the Company of Ordinary Shares or by the Company or any other subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

(4) an issue of Ordinary Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Ordinary Shares so issued is capitalised and the market value of such Ordinary Shares is not more than 120 per cent. of the amount of the dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of an Ordinary Share shall mean the average of the closing prices on the Relevant Stock Exchange for five (or more) consecutive Dealing Days falling within the period of one month ending on the last day on which holders of Ordinary Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash; or

(5) the issue of the Convertible Preference Shares.

(D) Any adjustment to the Conversion Price shall be made to the nearest one cent (Hong Kong currency) so that any amount under half a cent (Hong Kong currency) shall be rounded down and any amount of half a cent (Hong Kong currency) or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into Ordinary Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the Directors every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the Auditors or by an approved merchant bank.

(E) Notwithstanding anything contained in these Terms, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of paragraph 7 would be less than one cent and any adjustment that would otherwise then be required to be made shall not be carried forward.

(F) If the Company or any of its subsidiaries shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Ordinary Shares, the Company shall appoint the Auditors or an approved merchant bank to consider whether any adjustment to the Conversion Price is appropriate (and if the Auditors or such approved merchant bank shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly).

(G) Notwithstanding the provisions of paragraph 7(A), in any circumstances where the Directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions, the Directors may appoint the Auditors or an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Auditors or approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation making an adjustment calculated on a different basis) as shall be certified by the Auditors or such approved merchant bank to be in its opinion appropriate.

(H) Whenever the Conversion Price is adjusted as herein provided, the Company shall give notice to the Convertible Preference Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as any of the Conversion Rights remains exercisable make available for inspection at the principal place of business for the time being of the Company prior to all the Convertible Preference Shares being converted or purchased in full a signed copy of the said certificate of the Auditors or (as the case may be) of the relevant approved merchant bank and a certificate signed by a Director setting out the brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof.

8. UNDERTAKINGS

So long as any Convertible Preference Share remains capable of being converted into Ordinary Shares:

(1) the Company will use its best endeavours (a) to maintain a listing for all the issued Ordinary Shares on the Hong Kong Stock Exchange, (b) if and when the issued Convertible Preference Shares are listed on the Hong Kong Stock Exchange to maintain such listing for all the issued Convertible Preference Shares on the Hong Kong Stock Exchange and (c) to obtain and maintain a listing on the Hong Kong Stock Exchange for all Conversion Shares issued on the exercise of the Conversion Rights;

(2) the Company will send to each Convertible Preference Shareholder, by way of information, one copy of every circular, notice or other document sent to any other shareholders in the Company in their capacity as shareholders, at the same time as it is sent to such other shareholders;

(3) the Company shall procure that there shall be sufficient authorised but unissued share capital available for the purposes of satisfying the requirements of any Conversion Notice as may be given and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe for shares in the Company;

(4) the Company shall not, without the consent of the Convertible Preference Shareholders as a class (obtained in the manner provided in these Terms or the Bye-laws) or unless otherwise permitted pursuant to these provisions:

(a) modify, vary, alter or abrogate the rights attaching to the Ordinary Shares as a class, which (for the avoidance of doubt) shall not be deemed to be so modified, varied, altered or abrogated by the creation or issue of any shares or securities contemplated by these provisions; or

(b) change the date to which its annual accounts are made up from 30 June; or

(c) issue any shares (other than Ordinary Shares or shares ranking pari passu in all respects (including as to class) with the Convertible Preference Shares) constituting Equity Share Capital of the Company;

(5) except in such manner as may be permitted by the Bye-laws or the Statutes, the Company shall not reduce its share capital or any uncalled liability in respect thereof or any share premium account;

(6) if during such time when there are any Convertible Preference Shares outstanding an offer is made to the holders of Ordinary Shares (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any part of the Ordinary Shares and the Company becomes aware that the rights to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons aforesaid, the Company shall (subject to any restrictions under any applicable laws, regulations, codes and/or rules) give notice to all Convertible Preference Shareholders of such vesting or future vesting within 7 days of its becoming so aware.

9. REDEMPTION

Neither the Company nor any holder of the Convertible Preference Shares shall have any right to redeem the Convertible Preference Shares, unless otherwise provided pursuant to the Terms.

10. MEETINGS

(A) The Convertible Preference Shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, a general meeting of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or a resolution is to be proposed which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights or privileges of the Convertible Preference Shareholders, in which event the Convertible Preference Shares shall confer on the holder thereof the right to receive notice of, and to attend and vote at, that general meeting, save that such holders may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding up or the resolution which if passed would (subject to any consents required for such purpose being obtained) so vary or abrogate the rights and privileges of the Convertible Preference Shareholders.

(B) If the Convertible Preference Shareholders are entitled to vote on any resolution, then at the relevant general meeting or separate general meeting of the Convertible Preference Shareholders, all resolutions put to the vote at the general meeting must be decided by way of poll and every Convertible Preference Shareholder who is present in person or by proxy or attorney or (being a corporation) by a duly authorised representative shall have one vote for each Conversion Share which would have been issued to him/it had he/it exercised the Conversion Right 48 hours preceding the date of such general meeting or separate general meeting of the Convertible Preference Shareholders.

11. PAYMENTS

(A) Unless any other manner of payment is agreed between the Company and any Convertible Preference Shareholder, payment of Dividends, other cash distributions and moneys due on conversion or any repurchase permitted by these Terms to such Convertible Preference Shareholder shall be made by the Company posting a cheque in Hong Kong dollars (or in the case of payments which are to be made in another currency, such other currency) addressed to that Convertible Preference Shareholder at his registered address appearing on the Register as at the relevant Record Date and at his own risk.

(B) Subject to paragraph 11(A), where any property (including Conversion Shares and Certificates in respect of them) is to be allotted, transferred or delivered to any Convertible Preference Shareholder the Company may make such arrangements with regard to such allotment, transfer or delivery as it may deem appropriate and in particular, without limitation, may appoint any person on behalf of that Convertible Preference Shareholder to execute any transfers, renunciations or other document and may make arrangements for the delivery of any document or property to that Convertible Preference Shareholder at his/its risk. All share certificates and other documents of title to which any person is entitled shall be posted to him/it by the Company addressed to him/it at his/its registered address appearing on the Register as at the relevant Record Date or, if none, the date of posting and at his/its risk.

(C) All payments or distributions with respect to Convertible Preference Shares held jointly by two or more persons shall be paid or made to whichever of such persons is named first in the Register and the making of any payment or distribution in accordance with this sub-provision shall discharge the liability of the Company in respect thereof.

12. FRACTIONS

No fraction of an Ordinary Share arising on conversion shall be allotted to the holder of the Relevant Convertible Preference Share(s) otherwise entitled thereto but such fractions will, when practicable, be aggregated and sold and the net proceeds of sale will then be distributed pro rata among such holders unless in respect of any holding of Relevant Convertible Preference Shares the amount to be so distributed would be less than HK$100, in which case such amount will not be so distributed but will be retained for the benefit of the Company. Unless otherwise agreed between the Company and a Converting Shareholder, if more than one

Convertible Preference Share shall fall to be converted pursuant to any one Conversion Notice, the number of Ordinary Shares to be issued upon conversion shall be calculated on the basis of the aggregate Notional Values of the Relevant Convertible Preference Shares. For the purpose of implementing the provisions of this paragraph 12, the Company may appoint some person to execute transfers, renunciations or other documents on behalf of persons entitled to any such fraction and generally may make all arrangements which appear to it to be necessary or appropriate for the settlement and disposal of fractional entitlements.

13. TAXATION

(A) All payments of amounts equal to the Notional Value, nominal amounts, premium (if any) and Dividends in respect of Convertible Preference Shares shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Bermuda or Hong Kong or any authority therein or thereof (other than any withholding or deduction on account of any income tax, capital gains tax or other tax or duties of a similar nature) unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, subject to the Company having sufficient profits available for distribution, the Company shall pay such additional amounts as may be necessary in order that the net amounts received by the Convertible Preference Shareholders after such withholding or deduction shall equal the respective amounts of the Notional Value, premium (if any) and Dividend which would have been receivable in respect of the Convertible Preference Shares in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Convertible Preference Shareholder:

(1) who is liable to such taxes, duties, assessments or governmental charges in respect of any Convertible Preference Share by reason of such holder having some connection with Bermuda or Hong Kong, as the case may be, other than by virtue of being a Convertible Preference Shareholder; or

(2) receiving such payment in Bermuda or Hong Kong, as the case may be, and who would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration or non-residence or other similar claim for exemption to the Bermuda or Hong Kong tax authority, as the case may be, but fails to do so.

(B) To the extent that the Company shall have insufficient profits available for distribution in order to permit it to pay all or any of such additional amounts as aforesaid the amount of any shortfall shall be treated for all purposes as arrears of Dividend only in circumstances when the Company has sufficient profits or distributable reserves available for distribution.

14. RESTRICTED HOLDERS

No Convertible Preference Shares may be allotted and issued to any individual or entity who shall as a result become, and no Conversion Rights may be exercised by any Convertible Preference Shareholder who is, a Restricted Holder (as hereinafter defined). The exercise of any Conversion Rights by a Convertible Preference Shareholder shall constitute a confirmation, representation and warranty by the Converting Shareholder to the Company that such Converting Shareholder is not a Restricted Holder and that all necessary governmental, regulatory or other consents or approvals and all formalities have been obtained and observed by such Converting Shareholder to enable him to exercise legally and validly the relevant Conversion Rights, to hold the Conversion Shares allotted and issued upon exercise of the Conversion Rights and the Company to legally and validly allot the Conversion Shares. For the purposes of this paragraph 14, a "Restricted Holder" means a Convertible Preference Shareholder who is a resident or national of any jurisdiction other than Hong Kong under the laws and regulations of which an exercise of Conversion Rights by such Convertible Preference Shareholder or the performance by the Company of the obligations expressed to be assumed by it under these Terms or the allotment and issue and holding of the Conversion Shares cannot be carried out lawfully or cannot be carried out lawfully without the Company first having to take certain actions in such jurisdiction.

15. REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the Company upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company may reasonably require and on payment of such fee not exceeding HK$50 as the Company may determine. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. NOTICES

Subject to the Statutes, except in the case of a Conversion Notice, a notice given pursuant to these provisions may be revoked with the consent in writing of the Company. Notices to Convertible Preference Shareholders shall be given in accordance with the Bye-laws.

17. TRANSFERS AND CERTIFICATES

(A) The provisions of the Bye-laws relating to the transfer of shares and share certificates shall apply in relation to the Convertible Preference Shares, subject to these provisions.

(B) The Company shall maintain and keep a full and complete register at such location in Bermuda and/or in Hong Kong as it shall from time to time determine of the Convertible Preference Shares and the Convertible Preference Shareholders from time to time, such register shall contain details of conversion and/or cancellation and the destruction of any Convertible Preference Shares and the issue of any replacement Certificates issued in substitution for any mutilated, defaced, lost, stolen or destroyed Certificates and of sufficient identification details of all Convertible Preference Shareholders from time to time (or, to the extent reasonably requested by the principal registrar of the Company in Bermuda and agreed by the Company, such lesser details and/or information in relation to the Convertible Preference Shares as maintained by the principal registrar of the Company in Bermuda).

(C) Where any Convertible Preference Share is intended to be transferred to any transferee, the relevant holders of the Convertible Preference Shares shall seek prior consent from the Company and if such transfer is to be made to a connected person (as defined in the Listing Rules) of the Company (other than the associates (as defined in the Listing Rules) of the transferring Convertible Preference Shareholder), such transfer shall also comply with the requirements under the Listing Rules and/or requirements imposed by the Hong Kong Stock Exchange (if any).

18. PRESCRIPTION

Any Convertible Preference Shareholder who has failed to claim distributions or other property or rights within six years of their having been made available to him will not thereafter be able to claim such distributions or other property or rights which shall be forfeited and reverted to the Company. The Company shall retain such distributions or other property or rights but shall not at any time be a trustee in respect of any such distributions or other property or rights nor accountable for any income or other benefits derived therefrom.

19. SEVERABILITY

If at any time one or more provisions hereof is or becomes invalid, illegal, unenforceable or incapable of performance in any respect under the laws of any Relevant Jurisdiction, the validity, legality, enforceability or performance in that jurisdiction of the remaining provisions hereof or the validity, legality, enforceability or performance under the laws of any other Relevant Jurisdiction of these or any other provisions hereof shall not thereby in any way be affected or impaired.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon the increase of the authorised share capital of the Company and the issue of the Convertible Preference Shares will be as follows:

As at the Latest Practicable Date

		HK$
Authorized:		
6,000,000,000	Shares	300,000,000.00
Issued and fully paid		
3,594,413,900	Shares	179,720,695.00

Upon the increase of the authorised share capital of the Company and issue of the Convertible Preference Shares

		HK$
Authorized:		
30,000,000,000	Shares	1,500,000,000.00
1,238,095,238	Convertible Preference Shares	61,904,761.90
	Total	1,561,904,761.90
Issued and fully paid		
3,594,413,900	Shares	179,720,695.00
1,238,095,238	Convertible Preference Shares	61,904,761.90
	Total	241,625,456.90

All the Shares in issue and the Conversion Shares to be issued rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

The Company adopted a share option scheme on 4 December 2003 (the "**Scheme**"). Under the Scheme, the Directors may, at their discretion, grant to full-time employees and executive Directors of the Group the right to take up options to subscribe for the Shares. Additionally, the Company may, from time to time, grant share options to outside third parties for services provided to the Company. As at Latest Practicable Date, the share options that are still outstanding under the Scheme are 543,190,000.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company and their associates in the ordinary shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long position in the Shares or underlying shares of the Company

Director	Capacity	Number of Shares	Number of underlying shares *(Note)*	Approximate percentage of the issued share capital
Mr. Wong Hin Shek	Beneficial owner	—	29,900,000	0.83%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	—	0.64%

Note: This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying Shares in respect of the option shares granted by the Company under the share option scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required pursuant to Section 352 of the

SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

4. SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSABLE UNDER THE SFO

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had the following interests or short positions in Shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or (ii) who was, 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 meetings of any other member of the Group:

Long Positions in the Shares or underlying shares of the Company

Substantial Shareholders	Capacity	Number of Shares	Approximate percentage of the issued share capital
Mr. Choy Shiu Tim *(Note 1)*	Beneficial owner/ Corporate interest	1,050,007,125	29.21%
Intense Rise Holdings Limited *(Note 1)*	Corporate interest	870,007,125	24.20%
Mr. Wong Yat Fai *(Note 2)*	Beneficial owner/ Corporate interest	420,850,000	11.71%
Wise Profit Group Limited *(Note 2)*	Corporate interest	418,210,000	11.63%

Notes:

1. The 870,007,125 Shares out of the 1,050,007,125 Shares are held by Intense Rise Holdings Limited, which is wholly-owned by Mr. Choy Shiu Tim. Thus, he is deemed to be interested in the 870,007,125 Shares held by Intense Rise Holdings Limited pursuant to the SFO.

2. 418,210,000 Shares out of the 420,850,000 Shares are held by Wise Profit Group Limited, which is wholly-owned by Mr. Wong Yat Fai. Thus, he is deemed to be interested in the 418,210,000 Shares held by Wise Profit Group Limited pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any person (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or (ii) who was, directly or indirectly, interested in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of Directors or their respective associates had any interests in a business which competes or may compete with the business of the Group.

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries that was not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, no member of the Enlarged Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was pending or threatened against any member of the Enlarged Group.

8. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been, acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting and was significant in relation to the business of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and which are or may be material:

(a) the loan agreement dated 31 December 2010 entered into between Target Future Limited, a wholly-owned subsidiary of the Company as lender and Aurora Logistics Finance (Hong Kong) Limited (旭日物流金融(香港)有限公司) as borrower in relation to the granting of a term loan in the amount of HK$55,000,000 (the "**Loan Agreement**");

(b) the supplemental agreement dated 30 June 2011 entered into between Target Future Limited, a wholly-owned subsidiary of the Company as lender and Aurora Logistics Finance (Hong Kong) Limited (旭日物流金融(香港)有限公司) as borrower to supplement and amend the Loan Agreement in relation to the granting of a term loan in the amount of HK$55,000,000 (the "**Supplemental Loan Agreement**");

(c) the second supplemental agreement dated 26 July 2011 entered into between Target Future Limited, a wholly-owned subsidiary of the Company as lender and Aurora Logistics Finance (Hong Kong) Limited (旭日物流金融(香港)有限公司) as borrower to supplement and amend the Loan Agreement and the Supplemental Loan Agreement in relation to the granting of a term loan in the amount of HK$55,000,000 (the "**Second Supplemental Loan Agreement**");

(d) the third supplemental loan agreement dated 29 December 2011 entered into between Target Future Limited, a wholly-owned subsidiary of the Company as lender and Aurora Logistics Finance (Hong Kong) Limited (旭日物流金融(香港)有限公司) as borrower to supplement and amend the Loan Agreement, the Supplemental Loan Agreement and the Second Supplemental Loan Agreement in relation to the granting of a term loan in the amount of HK$55,000,000;

(e) the conditional placing agreement dated 5 October 2012, supplemental placing agreement dated 4 January 2013 and the termination of the placing agreement dated 7 January 2013 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 599,000,000 placing shares pursuant to the placing agreement;

(f) the loan agreement dated 15 October 2012 entered into between Cash Sand Investments Limited, an indirect wholly-owned subsidiary of the Company as lender and an independent third party (as defined under the Listing Rules) as borrower in relation to the granting of a term loan in the amount of HK$36,900,000;

(g) this Agreement; and

(h) this Supplemental Agreement.

10. EXPERT AND CONSENT

The following are the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	**Qualification**
BDO Limited	Certified Public Accountants

BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, BDO Limited:

(i) was not interested, either direct or indirect, in any assets which have been, since 30 June 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(ii) did not have any shareholding in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

11. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Chi Chi Hung, Kenneth who is an associate member of Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The branch share register and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal office of the Company in Hong Kong at Unit 904, 9th Floor, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong, during normal office hours on any Business Day up to and including the date of SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 30 June 2011 and 30 June 2012;

(c) the accountants' report on the Total Grand Group, the text of which is set out in Appendix II to this circular;

(d) the accountants' report on Guocang Wine Merchant, the text of which is set out in Appendix III to this circular;

(e) the accountants' report on the unaudited pro forma financial information of the Enlarged Group issued by BDO Limited set out in Appendix V to this circular;

(f) the consent letter referred to in the paragraph under the heading "Expert and Consent" in this Appendix to this circular;

(g) the material contracts as referred to in the paragraphs headed "Material contracts" in this Appendix; and

(h) this circular.

HUA YI COPPER HOLDINGS LIMITED

華藝礦業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 559)

NOTICE IS HEREBY GIVEN that the special general meeting of Hua Yi Copper Holdings Limited (the "**Company**") will be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on 4 March 2013 for the purpose of considering and, if thought fit, passing with or without amendments the following resolution which will be proposed as an ordinary resolution of the Company:

SPECIAL RESOLUTION

(1) "**THAT** subject to and conditional upon the completion of the acquisition of the entire issued share capital of Total Grand Investments Limited by Max June Limited (a wholly-owned subsidiary of the Company), the entry of "Guocang Group Limited" as the new name and "國藏集團有限公司" as the secondary name of the Company in place of the Company's existing name on the register maintained by the Registrar of Companies in Bermuda, the name of the Company be and is hereby changed from "Hua Yi Copper Holdings Limited" to "Guocang Group Limited" and "國藏集團有限公司" be adopted as the secondary name of the Company to replace the Chinese name "華藝礦業控股有限公司" (which has been used by the Company for identification purposes only) with effect from the date of entry of the new name and secondary name on the register maintained by the Registrar of Companies in Bermuda, and that the directors of the Company be and are hereby authorised generally to do all such acts and things and to sign and execute all documents and deeds as they may in their absolute discretion deem necessary, desirable or appropriate to give effect to the change of name and adoption of secondary name of the Company and to attend to any necessary registration and/or filing for and on behalf of the Company."

ORDINARY RESOLUTIONS

(2) "**THAT**

(a) the authorised share capital of the Company be increased from HK$300,000,000 divided into 6,000,000,000 ordinary shares of HK$0.05 each (the "**Share**") into HK$1,561,904,761.90 divided into (i) 30,000,000,000 Shares of HK$0.05 each and (ii) 1,238,095,238 convertible preference shares of HK$0.05 each (the "**Convertible Preference Shares**") by the creation of an additional 24,000,000,000 Shares and 1,238,095,238 Convertible Preference Shares, such

* *for identification purpose only*

Convertible Preference Shares having the rights and restrictions as set out in appendix VI to the circular of the Company dated 8 February 2013 (the "**Circular**") (a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) (the "**Increase in the Authorised Share Capital**");

(b) the issue and allotment of the Convertible Preference Shares as set out in the Circular, on and subject to the terms of the Agreement (as defined in Resolution 3 below) in accordance with the Bye-laws of the Company, be and is hereby approved;

(c) the directors of the Company (the "**Directors**") be and are hereby authorised to allot and issue such number of new Shares in the share capital of the Company as may be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares in accordance with the Bye-laws of the Company; and

(d) any one director of the Company be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps which, in the opinion of such director, are necessary, appropriate, desirable or expedient to give effect to or implement the issue and/or conversion of the Convertible Preference Shares and for completion of the Increase in the Authorised Share Capital.";

(3) "**THAT**

(a) the share purchase agreement dated 1 November 2012 (the "**Agreement**") (a copy of which has been produced at this Meeting and marked "B" and initialed by the chairman of this Meeting for the purpose of identification) entered into between Max June Limited (a wholly-owned subsidiary of the Company), the Company, Goldsure Limited and Mr. 唐通 (in English, for identification purpose only, Mr. Tang Tong) which is amended and varied by a supplemental agreement dated 23 January 2013 (the "**Supplemental Agreement**") (a copy of which has been produced at this Meeting and marked "C" and initialed by the Chairman of this Meeting for the purpose of identification), pursuant to which Max June Limited has agreed to acquire the entire issued share capital of Total Grand Investments Limited for a consideration in the sum of HK$260,000,000 which will be satisfied in full by the Company's issue and allotment of the Convertible Preference Shares (as defined in Resolution 2 above and in the Agreement and the Supplemental Agreement) upon completion of the Agreement and the Supplemental Agreement, the Supplemental Agreement and the transactions contemplated thereunder or incidental to the Agreement and the Supplemental Agreement be and are hereby approved, ratified and confirmed;

(b) the issue and allotment of 1,238,095,238 Convertible Preference Shares (as defined in Resolution 2 above) in the share capital of the Company pursuant to Resolution 2 above at an issue price of HK$0.21 per Convertible Preference

Share having the rights and restrictions as set out in appendix VI to the Circular, credited as fully paid, pursuant to the terms and conditions of the Agreement and the Supplemental Agreement be and is hereby approved;

(c) the issue and allotment of such number of Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares be and is hereby approved;

(d) the directors of the Company are hereby authorised to do all such further acts and things and execute such further documents which in their opinion may be necessary or expedient to give effect to the terms of the Agreement and the Supplemental Agreement and the issue, allotment and conversion of the Convertible Preference Shares or any of the transactions contemplated under the Agreement and the Supplemental Agreement; and

(e) any acts or things done or deeds or documents executed prior to the passing of these resolutions by any director relating to any of the matters referred to in 3(a) to 3(d) above be and are hereby ratified, confirmed and approved in all respects."

By order of the board
Hua Yi Copper Holdings Limited
Wong Hin Shek
Chairman and Executive Director

Hong Kong, 8 February 2013

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 904, 9th Floor
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

Notes:

1. A form of proxy to be used for the meeting is enclosed with the circular of the Company despatched to the shareholder of the Company on 8 February 2013.

2. Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting).

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the Hong Kong branch registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the meeting at which the person named in the instrument proposes to vote. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

6. As at the date of this notice, the executive Directors are Mr. Wong Hin Shek and Mr. Chi Chi Hung Kenneth; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.