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

If you have sold or transferred all your shares in Guocang Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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GUOCANG GROUP LIMITED

國藏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 559)

**MAJOR DISPOSAL OF 100% INTERESTS OF
HUA YI COPPER (BVI) COMPANY LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting of Guocang Group Limited to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Thursday, 18 September 2014 at 4:30 p.m. is set out on pages 35 to 36 of this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish.

29 August 2014

CONTENTS

	<i>Page</i>
Definition	1
Letter from the Board	3
Appendix I — Financial information of the Group	10
Appendix II — Valuation report of the Target Group	12
Appendix III — Property valuation report	21
Appendix IV — General information	29
Notice of SGM	35

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 24 July 2014
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Guocang Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions of the SPA
“Completion Date”	a date not later than the third Business Day following the date on which the last of the conditions precedent under the SPA has been fulfilled or such other date as the Company and the Purchaser may agree in writing
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Share, being the amount payable by the Purchaser to the Company in accordance with the SPA
“Director(s)”	director(s) of the Company for the time being
“Disposal”	the proposed disposal of the Sale Share by the Company to the Purchaser pursuant to the SPA
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	27 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	31 October 2014, or such other date as the Company and the Purchaser may agree in writing
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Zhan Liang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Share”	the one (1) issued share of US\$1.00 each and in the share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the SPA
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Disposal and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“SPA”	the sale and purchase agreement dated 24 July 2014 entered into between the Company as vendor and the Purchaser as purchaser in respect of the sale and purchase of the Sale Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hua Yi Copper (BVI) Company Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



GUOCANG GROUP LIMITED

國藏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 559)

Executive Directors:

Mr. Wong Hin Shek

Mr. Chi Chi Hung Kenneth

Independent non-executive Directors:

Mr. Chiu Wai On

Mr. Man Kwok Leung

Dr. Wong Yun Kuen

Registered Office:

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2 Church Street

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Bermuda

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business in Hong Kong:*

Suite 3908, 39/F.

Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

29 August 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR DISPOSAL OF 100% INTERESTS OF
HUA YI COPPER (BVI) COMPANY LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement issued by the Company dated 24 July 2014 in relation to the Disposal.

The purpose of this circular is to give you further details of the Disposal, the SPA and notice of the SGM at which a resolution will be proposed to consider and, if thought fit, approve the Disposal and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE SPA

The principal terms of the SPA are summarised below:

Date

24 July 2014

Parties

Vendor: Company

Purchaser: Zhan Liang Holdings Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be disposed of

Pursuant to the SPA, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share (representing 100% issued share capital of the Target Company) subject to the terms and conditions of the SPA.

Consideration

The Consideration for the sale and purchase of the Sale Shares shall be HK\$136.5 million or the appraised value of the Target Group under the final valuation of the Target Group conducted by an independent professional valuer (whichever is lower). As set out in Appendix II of this circular, the fair market value of the Target Group as at 30 June 2014, conducted by an independent professional valuer using the asset based approach, is HK\$136.2 million. Hence, the Consideration shall be HK\$136.2 million accordingly. The Consideration shall be payable by the Purchaser to the Company in cash within 30 calendar days from the Completion Date.

The Consideration has been determined after arm's length negotiations between the Company and the Purchaser with reference to (i) the reasons for the Disposal as discussed in the section headed "Reasons for and benefits of the Disposal" below; (ii) the historical performance of the Disposal Companies in recent financial years; and (iii) the preliminary valuation of the Target Group as determined by an independent professional valuer using the market approach.

The Directors consider that the Consideration is fair and reasonable and on normal commercial terms.

LETTER FROM THE BOARD

Conditions precedent

Completion of the SPA is subject to, amongst other conditions, the following conditions being fulfilled and remaining satisfied as at Completion:

- (a) the Purchaser being satisfied with the results of its due diligence exercise on the Target Group and related assets, liabilities and operations;
- (b) the passing of all necessary resolution(s) by the Shareholders at the SGM to be held to approve the SPA and the transactions contemplated thereunder;
- (c) the final valuation of the Target Group to be conducted by an independent professional valuer;
- (d) all consents and approvals necessary for consummation of the SPA and transactions contemplated hereunder having been granted by the relevant any governmental or regulatory authorities in Hong Kong (excluding any consents and approvals which by their nature are to be obtained by the Purchaser, if any);
- (e) there being no major adverse change on the Target Group (including but not limited to changes of major adverse effects on the financial status, business or operation) for the period commencing on the date of the SPA and ending on the Completion Date); and
- (f) from the date of the SPA and at any time before the Completion, that the warranties and undertakings given by the Company remain true, accurate and not misleading in any material respect.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions above (except the conditions (b) and (d) which are incapable of being waived). As at the Latest Practicable Date, condition (c) above was satisfied.

If the above conditions have not been satisfied or waived (if applicable) by the Purchaser on or before 5:00 p.m. on the Long Stop Date, the Purchaser and the Company may agree to, (i) cancel or terminate the SPA without prejudice to all rights and remedies which the Purchaser may have under the SPA or by law; or (ii) elect to effect the Completion so far as practicable having regard to the defaults which have occurred and treat the sale and purchase of the Sale Share as completed subject to the satisfaction of a condition subsequent that the defaults be remedied within such time as the Purchaser may specify.

Completion

Subject to satisfaction or waiver (as case may be) of all of the conditions precedent of the SPA, Completion shall take place at 4:00 p.m. (Hong Kong time) on the Completion Date, which shall be not later than the third Business Day following the date on which the last of the conditions precedent under the SPA has been satisfied or waived (as case may be) or such other date as the Company and the Purchaser may agree in writing.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group continually reviews its existing businesses and opportunities which may improve its profitability and overall financial position.

During the financial year 2013, in particular, in April 2013, the Company acquired a business engaged in trading and distribution of liquor and wine which has broadened the revenue stream of the Group. For the year ended 30 June 2013, the newly acquired liquor and wine business has recorded a total turnover and segment profit of approximately HK\$124.7 million and HK\$30.5 million respectively. As stated in the interim report 2013/14 of the Company, for the six months ended 31 December 2013, the liquor and wine business of the Group has recorded a total turnover and segment profit of approximately HK\$130.0 million and HK\$52.5 million respectively and has become the largest and profitable business segment of the Group for the period due to the strong performance driven from its comprehensive publicity and sales network.

On the contrary, the cable and wires business and copper rods business of the Group has been affected by the increasing labour costs and the competitive market, the financial performance and operating environment of these two segments remained lack of satisfactory.

For the year ended 30 June 2013, the total turnover of the Group's cable and wires business were approximately HK\$147.5 million (2012: approximately HK\$175.4 million, representing a decrease of approximately 15.9%) and segment profit of approximately HK\$1.0 million (2012: approximately HK\$2.0 million, representing a decrease of approximately 50.0%) respectively. For the six months ended 31 December 2013, the total turnover of the Group's cable and wires business were approximately HK\$84.3 million (2012: approximately HK\$76.5 million, representing an increase of approximately 10.2%) and segment profit of approximately HK\$2.2 million (six months ended 31 December 2012: approximately HK\$1.2 million, representing an increase of approximately 83.3%) respectively.

For the year ended 30 June 2013, the total turnover of the Group's copper rods business were approximately HK\$136.2 million (2012: approximately HK\$136.3 million, representing a slight decrease of approximately 0.1%) and segment loss of approximately HK\$26.5 million (2012: loss of approximately HK\$8.8 million) respectively. For the six months ended 31 December 2013, the total turnover of the Group's copper rods business were approximately HK\$109.7 million (six months ended 31 December 2012: approximately HK\$62.7 million, representing an increase of approximately 75.0%) and segment profit of approximately HK\$1.7 million (six months ended 31 December 2012: loss of approximately HK\$1.2 million) respectively.

As at 30 April 2014, the unaudited net asset value of the Target Group was approximately HK\$143.8 million; and based on the final valuation conducted by an independent professional valuer, the final valuation of the Target Group as at 30 June 2014 was approximately HK\$136.2 million. The Board noted that the Consideration of the Disposal Group of HK\$136.2 million represents a slight discount of approximately 5.3% to the unaudited net asset value of the Target Group as at 30 April 2014.

LETTER FROM THE BOARD

Based on the above, despite the fact that the Group's cable and wires business and copper rods business contributed profit of approximately HK\$2.2 million and HK\$1.7 million respectively for the six months ended 31 December 2013, the Board considers that the cable and wires business and copper rods businesses of the Group have been affected by the increasing labour costs and the competitive market in recent years, the financial performance and operating environment of these two segments remained lack of satisfactory. The Directors are of the view that the Disposal could facilitate the Group to utilise its resources more effectively and efficiently by enhancing its working capital position and stop making future cash outflow in maintaining the operation of the less profitable businesses in the Group (i.e. the cable and wires business and copper rods business).

On this basis, the Board considers that the Consideration (i) to be the final appraised value of the Target Group of HK\$136.2 million; and (ii) represents a slight discount of approximately 5.3% to the unaudited net asset value of the Target Group could enhance the attractiveness of the terms of the Disposal and enhance the working capital position of the Group by quickly turning non-performing businesses into cash, instead of selling off the assets of the Target Group on a piece-meal basis which might require additional time and efforts of the Group. Therefore, the Board considers that the terms of the Disposal are fair and reasonable and are in the interests to the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the SPA are on normal commercial terms and are fair and reasonable and the SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

After deducting professional fees in connection with the Disposal, it is estimated that the net proceeds from the Disposal would be approximately HK\$135 million. The Company intends to use the net proceeds from the Disposal as general working capital of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company, Hua Yi Copper (BVI) Company Limited, is a company incorporated in the British Virgin Islands with limited liability, with an authorised share capital of US\$50,000.00 divided into 50,000 shares of US\$1.00 each, of which 1 share has been issued and is fully paid up and is legally and beneficially owned by the Company as at the Latest Practicable Date. The Target Group is principally engaged in the manufacturing and trading of copper rods and cables and wires.

INFORMATION ON THE PURCHASER

The Purchaser, Zhan Liang Holdings Limited, is a company incorporated in the British Virgin Islands with limited liability. The principal activity of the Purchaser is investment holding.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) liquor and wine business; (ii) investments in listed securities; (iii) copper rods business; and (iv) cable and wires business.

LETTER FROM THE BOARD

Upon Completion, the Company will not have any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company. The Group, after Completion, will cease to be engaged in the copper rods business and cables and wires business.

FINANCIAL EFFECTS OF THE DISPOSAL

Set out below is a summary of the unaudited consolidated income statement of the Target Group for the ten months ended 30 April 2014 and for the financial years ended 30 June 2013 and 2012:

	For the ten months ended 30 April 2014	For the financial year ended 30 June 2013	For the financial year ended 30 June 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Turnover	295,954	283,700	311,706
Loss before taxation	(1,834)	(29,094)	(11,448)
Loss after taxation	(2,336)	(28,834)	(11,756)

The unaudited net asset value of the Target Group was approximately HK\$143.8 million as at 30 April 2014. The final appraised value of the Target Group conducted by an independent professional valuer as at 30 June 2014 is HK\$136.2 million.

The Group expects to recognise an unaudited accounting gain of approximately HK\$31 million as a result of the Disposal, being the difference between the aforesaid estimated net proceeds from the Disposal and the carrying amount of the Group's interest in Target Group as at 30 April 2014. The actual gain or loss as a result of the Disposal to be recorded by the Group as of the date of Completion is subject to audit and will be assessed after Completion.

Upon Completion, the Company will not have any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company. Accordingly, the profits and losses and the assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios as set out in the Listing Rules for the Disposal are more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and the SPA and the transactions contemplated thereunder are therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. A SGM will be convened by the Company to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder, including the Disposal.

LETTER FROM THE BOARD

The Purchaser has confirmed that it, its ultimate beneficial owner(s) and their respective associates (as defined under the Listing Rules) do not hold any Shares as at the Latest Practicable Date. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, as no Shareholder has a material interest in the Disposal, no Shareholder nor its associates is required to abstain from voting on the Disposal at the SGM.

SGM

The SGM will be held for considering and, if thought fit, passing the ordinary resolution to approve the Disposal and the transactions contemplated thereunder. A notice convening the SGM to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Thursday, 18 September 2014 at 4:30 p.m. is set out on pages 35 to 36 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). 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 (as the case may be) 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 considers that the terms and conditions of the SPA are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

As Completion is subject to the fulfillment of conditions precedent which are detailed in this circular under the paragraph headed "Conditions Precedent", the Disposal may or may not be completed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

Yours faithfully
By Order of the Board
Guocang Group Limited
Chi Chi Hung Kenneth
Executive Director

1. STATEMENT OF INDEBTEDNESS

Indebtedness of the Group

As at the close of business on 30 June 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had secured bank loans of approximately HK\$165,278,000; unsecured amounts due to a related company of approximately HK\$3,518,000 which is interest-free; unsecured corporate bonds with aggregated principal amount of approximately HK\$57,500,000 which is interest bearing at 10% per annum; and unsecured corporate bonds with aggregated principal amount of approximately HK\$15,500,000 which is interest bearing at 8% per annum.

The Group's certain items of prepaid lease payments for land and property, plant and equipment with an aggregate carrying value of approximately HK\$44,133,000 and deposits of approximately HK\$121,534,000 as at 30 June 2014 are pledged to banks to secure general banking facilities granted to the Group.

For the purpose of compiling this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange at the close of business on 30 June 2014.

Save as disclosed above and apart from the intra-group liabilities and normal trade payables and bills arising in the ordinary course of business, at the close of the business on 30 June 2014, the Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptance 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 Group since 30 June 2014.

2. WORKING CAPITAL

The Directors are of the opinion that after taking into account the expected completion of the Disposal and the present internal financial resources available to the Group including the internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in four segments: (i) liquor and wine business; (ii) investments in listed securities; (iii) copper rods business; and (iv) cable and wires business. As disclosed in the interim report 2013/2014 of the Company, for the six months ended 31 December 2013, the Group recorded a turnover of approximately HK\$325.6 million, representing an increase of 131.2% as compared to approximately HK\$140.8 million for the

corresponding period of 2012. Profit attributable to owners of the Company was approximately HK\$75.0 million (six months ended 31 December 2012: loss of approximately HK\$115.0 million).

In April 2013, the Company acquired a business engaged in trading and distribution of liquor and wine which has broadened the revenue stream of the Group. Upon completion of the Disposal, the Group will continue its liquor and wine business and investments in securities. Through continuous cooperation with renowned liquor and wine manufacturers, the launch of Hundred Yuan Liquor and Wine Products and continuous development of distribution channels, the Group expects that the publicity of liquor and wine products will be further extended in the PRC and the liquor and wine business will continue to contribute to the Group's results.

The Group will continue to seize growth opportunities to enhance competitiveness to strive for the best return to the shareholders, including cooperation with other renowned liquor and wine manufacturers in developing different kinds of liquor and wine products in the near future.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuation as at 30 June 2014 of the fair market value of the Target Group.

**GRANT SHERMAN**

Unit 1005, 10/F., AXA Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

29 August 2014

The Board of Directors
Guocang Group Limited
Suite 3908, 39/F, Tower Two,
Times Square, 1 Matheson Street,
Causeway Bay,
Hong Kong

Dear Sirs,

In accordance with your instructions, we have made an appraisal of the fair market value of a 100% equity interest in the business enterprise of Hua Yi Copper (BVI) Company Limited (the “Target Company”, and together with its subsidiaries as the “Target Group”). The Target Group which is wholly owned by Guocang Group Limited (the “Company”) is principally engaged in manufacture and trading of copper rods and cables and wires in the People’s Republic of China (the “PRC”) and Hong Kong.

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

Fair market value is defined as the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns.

Business enterprise value is defined for this appraisal as the combination of all tangible assets (land, buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder’s equity and long-term debt.

The purpose of this appraisal is to express an independent opinion of the fair market value of the Target Group as at 30 June 2014 (the “Appraisal Date”). It is our understanding that this appraisal will be used by the Company for disposal purposes and our report will be incorporated in the circular of the Company dated 29 August 2014 to be issued to the shareholders of the Company.

INTRODUCTION

Background

On 24 July 2014, the Company entered into a sale and purchase agreement (the “SPA”) with Zhan Liang Holdings Limited (the “Purchaser”), pursuant to which, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company subject to the terms and conditions of the SPA at a consideration of HK\$136.5 million or the appraised value of the Target Group as at 30 June 2014, whichever is lower.

The Company

The Company is an investment holding company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 559). The Company and its subsidiaries are principally engaged in the businesses of (i) manufacture and trading of cable and wires; (ii) manufacture and trading of copper rods; (iii) trading and distribution of liquor and wine; and (iv) investments in listed securities.

The Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. The Target Group is principally engaged in manufacture and trading of copper rods and cables and wires in the PRC and Hong Kong. Kunshan Hua Yi Copper Products Company Limited and Kunshan Chau’s Electrical Company Limited are the two major operating subsidiaries of the Target Group.

For the six months ended 31 December 2013, the total turnover and segment profit of the Company’s cable and wire business was approximately HK\$84.3 million and HK\$2.2 million, representing an increase of 10.2% and 83.3% respectively when compared to the same period results as in 2012. On the other hand, the total turnover of the Company’s copper rods business was approximately HK\$109.7 million representing a rise of 75.0% from the same period in 2012 and segment gain of approximately HK\$1.7 million (2012: a segment loss of approximately HK\$1.2 million) for the six months ended 31 December 2013.

As at the Appraisal Date, the unaudited net asset value of the Target Group amounts to approximately HK\$138.0 million.

INDUSTRY OVERVIEW

Use of Copper

Copper is a ductile metal with very high and thermal conductivity. The metal has been used for thousands of years as a conductor of heat and electricity, building material and constituent of various metal alloys. The major applications of copper are in electrical wires, roofing and plumbing and industrial machinery.

Though the use of copper is common in the history of the PRC, copper industry has begun its development in recent half century, a more comprehensive copper production system is established and makes the PRC an important copper production nation in the world.

Copper Industry in the PRC

Market Size

According to Antaika Copper Industry Report, copper production in the world amounted 22.5 million tonnes in 2013, an increase of 12.5% when compared with last year; copper production in the PRC was 15.0 million tonnes, rising by 25.2% from last year.

From 2000 to 2013, copper stock production grows at 17.8% annually, its share of the world production rises from 11% in 2000 to 60% in 2013; domestic processed copper production and copper mine production increase by 12.3% and 9% annually respectively during the same period.

Capital Investment and Production Capabilities

Production capacity in the copper industry keeps expanding without any sign of investment reduction. Antaika reported that copper processing investment totaled RMB 52.5 billion, an increase of 35.44% from 2012, accounting for 8% of total non-ferrous metal investment in the industry.

Capital Investment in Copper Industry of the PRC in 2013

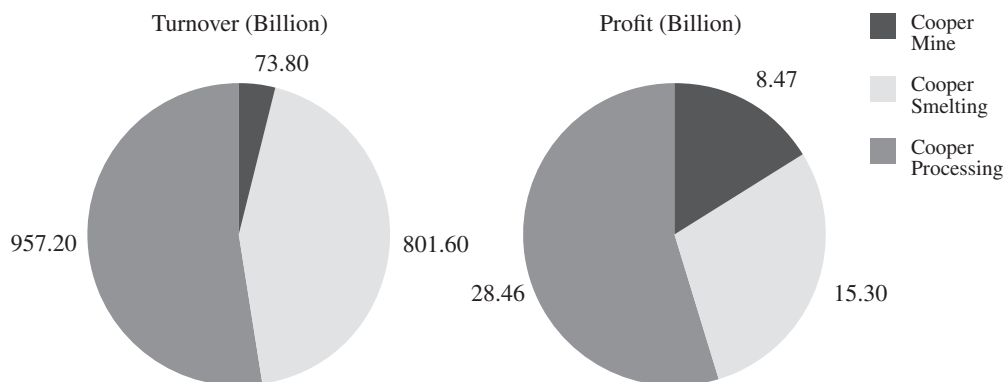
	Capital Investment <i>(Billion)</i>	Year-on-year Change <i>(%)</i>
Non-ferrous Metal	680.8	19.82
Copper Selection	23.6	-2.48
Copper Smelting	24.0	8.28
Copper Processing	52.5	35.44

Statistics also showed that copper material production capacity and volume were 10.2 and 8.2 million tonnes respectively in 2013 with production rate of 80%. Among the copper material, copper plate, copper tube and copper rod had production capacity of 3.5, 3 and 10 million tonnes with production rate of 65%, 88% and 55% respectively.

Operation and Trading Result

The industry remained at a low return level in 2013. The total revenue generated by the copper industry was RMB1,832.6 billion in 2013, a 12% increase from 2012; profit for the industry was RMB 52.23 billion, a 3.1% mild decrease from 2012.

Turnover and Profit Earning of the Copper Industry in the PRC in 2013



Because of low demand from western countries, copper materials import and export trading continues to decline in the PRC. According to the Custom's record, copper material trading volume and value were 1.14 million tonnes and USD10.6 billion, decreased by 1.7% and 3.2% respectively from the last year. During the period between 2000 and 2013, copper material import volume decreased steadily from 1.2 million tonnes in 2004 to 0.65 million tonnes in 2013; copper material export amount however increased from 0.12 million tonnes in 2000 to the highest of 0.56 million tonnes in 2006, currently drifting at 0.5 million tonnes.

Market Factors

Copper industry is on a development trend, the effect of technological advancement is reflecting on the copper consumption in the PRC. Despite the inactive copper export between the PRC and western countries due to the low copper consumption demand in the Western countries and anti-dumping sanction on the PRC, net copper import fell in two consecutive years, indicating a high domestic consumption demand for copper. This implies that technological advancement is generating domestic demand which will reduce the reliance on copper import from other developed countries.

Competitive Landscape

There are 1,964 corporations in the copper industry. Among them, 314 are copper selection companies, 310 are copper smelting companies and 1,340 are copper processing companies. Copper rod sector is one of the sub-industry within copper processing industry. Though there are numerous production enterprises, they are small and technologically far behind the global market leaders.

Future Prospect

In 2012, proportion of processed copper consumption in GDP of the PRC was 4 time the level of world average and it was even above 10 times of that of the USA. However, because of the increasing copper production cost, comparative advantage gradually weakens. Together with impact from structural change in the PRC economy and appreciation of Renminbi, copper consumption in the PRC would keep its growth in short term, but with a less and limited growth rate.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business enterprise of the Target Company on the basis of fair market value. Fair market value is defined as the estimated amount at which the business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns. Business enterprise value is defined for this appraisal as shareholders' equity plus shareholders' loans.

Our investigation included site-visits to certain locations of the Target Group, discussions with management of the Target Company (the "Management") in relation to the history and nature of the business, operations and prospects of the Target Group, a review of the historical financial information, as well as other relevant documents provided to us by the Management.

Before arriving at our opinion of value, we have considered some principal factors that include, but are not limited to, the following:

- Nature of the business and the history of the Target Group from its inception;
- Economic outlook in general and the condition and outlook of the specific industry in particular;
- The specific economic and competitive elements affecting the Target Group's business, its industry and its markets;
- Business risks of the Target Group and inherent uncertainties involved in its operation;
- Financial risks of the Target Group;
- Potential of the markets served;
- Management's policies and strategies for the future;
- Name and reputation of the Target Group, including the Management;
- Past operating results of the Target Group;

- Extent, condition, utility and capacity of the facilities and equipment utilized by the business;
- Existence of assets of an intangible nature;
- Investment market's attitude toward securities with similar characteristics, as measured by market performance, and alternative investment opportunities available to an investor;
- The property valuation report prepared by our Real Estate Group dated 29 August 2014 regarding the property interests held by the Target Group as at the Appraisal Date (the "Property Valuation Report") (also refer to the Appendix III of this circular for details); and
- The machinery and equipment valuation report prepared by our Machinery and Equipment Group dated 29 August 2014 regarding the fair market value of the machinery and equipment held by the Target Group as at the Appraisal Date (the "M&E Valuation Report").

Due to the changing environment in which the Target Group is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. The major assumptions adopted in this appraisal are:

- There will be no major changes in the existing political, legal, fiscal and economic conditions in the country in which the Target Group carries on its business;
- There will be no major changes in the current taxation laws in Hong Kong and the PRC that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates, inflation rates and interest rates will not differ materially from those presently prevailing; and
- There are no material unrecorded and/or contingent liabilities in the Target Group as at the Appraisal Date.

For the purpose of this valuation, we were furnished with historical and financial information, as well as records and documents by the Management. We have reviewed and examined the said information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent upon such data, records, documents, financial and business information from other sources, as well as a number of assumptions that are subjective and uncertain in nature. Any variation to these assumptions could seriously affect the fair market value of the appraised business enterprise.

VALUATION METHODOLOGY

To develop our opinion of value of the Target Group, we considered the three generally accepted approaches to value: the asset-based approach, market approach and income approach.

The Target Group incurred losses for the three consecutive financial years since 2011 and has reported impairment losses on its fixed assets. Relying on this, we consider that the income approach and market approach are not appropriate for this valuation since there are great uncertainties exist in the Target Group's profitability in the near future. For a business enterprise like the Target Group that operates in a mature industry with heavy capital investment and does not have adequate earnings, the asset-based approach is considered to be appropriate and the fair market value of the Target Group has been developed through the application of the Adjusted Net Asset Value (NAV) Method.

Adjusted NAV Method

The *Adjusted NAV Method* calls for a summation of the fair market values of all assets belonging to an entity and a reduction of that aggregate by the fair market values of that entity's total liabilities. The fair market value is represented by the *adjusted* book value of total assets net of liabilities owed to any person other than the beneficial owners of the subject company, after adjusting for any necessary discounts or premiums to the book values of the assets and liabilities to reflect their market values.

In this appraisal, the fair market value of business enterprise using the Adjusted NAV Method can be developed with the following formula:

NAV per unaudited financial statements
Add: Revaluation surplus (deficit) of interests in fixed assets
Adjusted NAV/Fair market value

Where the revaluation surplus (deficit) is the difference between the fair market value of interests in fixed assets as per the Property Valuation Report and the M&E Valuation Report and their respective carrying amounts

To formulate our opinion of value of the business enterprise of the Target Group, we have relied upon the market values of the property interests and machinery and equipment held by the Target Group and the book values of its remaining assets and liabilities as at the Appraisal Date. The following table summarises the carrying values of the Target Group's major assets and liabilities and its fair market value as at the Appraisal Date:

	<i>HK\$ million</i> <i>(unaudited)</i>
Prepaid lease payment for land and property, plant and equipment	100.7
Inventories	25.5
Debtors, deposits, other receivables and prepayments	86.2
Bills receivables	12.1
Other current assets	2.5
Cash and bank balances	13.7
Accrued expenses and other payables	(45.0)
Bank borrowings	(53.5)
Other liabilities	<u>(4.2)</u>
NAV	138.0
Revaluation deficit	<u>(1.8)</u>
Adjusted NAV/Fair market value	<u><u>136.2</u></u>

Property Interests

As at the Appraisal Date, the market value of the property interests is HK\$83.5 million. According to the Property Valuation Report, the property interests concerned is appraised on the basis that the properties are held by the Target Group for self-occupation in the PRC and the valuation method adopted is a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the lands respectively.

Machinery and Equipment

As at the Appraisal Date, the orderly liquidation value of the Target Group's machinery and equipment is HK\$15.4 million. According to the M&E Valuation Report, in view of the existence of significant economic obsolescence in its fixed assets, orderly liquidation value is adopted as the premise of value for the appraisal of the machinery and equipment of the Target Group as at the Appraisal Date and the principal valuation methodology is the market approach.

Remaining Assets and Liabilities

Based on our discussion with the Management, all the remaining assets registered on the account of the Target Group are in good condition. Based on the normal operation of the Target Group, we reasonably assume that the tangible assets of the Target Group are properly

describing the tangible assets. With reference to our discussion with the Management, the sale price of the inventories should be well above their cost to sell or the net realizable value and the balances of debtors, deposits, other receivables and prepayments are considered as fully recoverable. Hence, in this appraisal, we conclude that the book values of its assets (other than the property interests, machinery and equipment) and liabilities should reasonably represent their fair values as at the Appraisal Date.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that the fair market value of the Target Group as at **30 June 2014** is reasonably stated by the amount of **HONG KONG DOLLARS ONE HUNDRED THIRTY SIX MILLION AND TWO HUNDRED THOUSAND (HK\$136,200,000) ONLY.**

This conclusion of value was derived in accordance with the generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Target Group, the Company and its subsidiaries, or the values reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, ASA
Managing Director

Kelvin C.H. Chan, FCCA, CFA
Director

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation/Intangible Assets) of the American Society of Appraisers and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, the PRC and the Asian region for various purposes since 1988.

Mr. Kelvin C.H. Chan is a CFA Charterholder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 30 June 2014 of the property interests held by the Group in the People's Republic of China.

**GRANT SHERMAN**

Unit 1005, 10/F., AXA Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

29 August 2014

The Directors
Guocang Group Limited
Suite 3908, 39/F, Tower Two,
Times Square, 1 Matheson Street,
Causeway Bay,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests located in the People's Republic of China ("the PRC") held by Hua Yi Copper (BVI) Company Limited (the "Target Company", and together with its subsidiaries as the "Target Group") (the members of the Target Group are direct or indirect wholly-owned subsidiaries of Guocang Group Limited ("the Company")), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 June 2014 (the "Valuation Date") for purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation is our opinion of market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests which are held by the Target Group for self-occupation in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the lands respectively. Hence, the sum of the two results represents the market

values of the properties as a whole. In the valuation of the land portion, reference has been made to the standard land price in Kunshan City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

Our valuation has been made on the assumption that the owner sells the property interests on the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

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

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

We have assumed that all consents, approvals and licenses from relevant government authorities for the properties have been granted without any onerous conditions or undue time delay which might affect their values. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation certificates. Moreover, we have assumed that the utilization of the Properties and improvements is within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the valuation certificates.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not conducted land searches on the properties and we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Group’s PRC legal adviser, Jingtian & Gongcheng.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on matters such as statutory notices, easements, tenure, occupancy, floor areas, identification of the properties and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have relied on the Company’s confirmation that no material fact has been

omitted from the information so supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations. No on-site measurement has been taken.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the valuation certificates. It is also assumed that all required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government private entity or organization either have been or can be obtained or renewed for any use which the valuation certificates cover.

We have inspected the exteriors and, where possible, the interiors of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

Unless otherwise stated, all sums in our valuation are in Renminbi (RMB). The exchange rate adopted in valuing the property interests in the PRC as at 30 June 2014 was RMB1: HK\$1.2494. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith the summary of valuation together with the valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP)MHIREA
Director
Real Estate Group

Note: Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 10 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

SUMMARY OF VALUATION

Property interests held by the Target Group in the PRC for self-occupation purpose

Property	Market value in existing state as at 30 June 2014	Interest attributable to the Target Group	Market value in existing state attributable to the Target Group as at 30 June 2014
1. An industrial complex located at No. 68 Beiyuan Road, Dianshanhu Town, Kunshan City, Jiangsu Province, the PRC	RMB28,000,000 (equivalent to approximately HK\$35,000,000)	100%	RMB28,000,000 (equivalent to approximately HK\$35,000,000)
2. An industrial complex located at Nos. 66 and 69 Beiyuan Road, Dianshanhu Town, Kunshan City, Jiangsu Province, the PRC	RMB38,800,000 (equivalent to approximately HK\$48,500,000)	100%	RMB38,800,000 (equivalent to approximately HK\$48,500,000)
Total	RMB66,800,000 (equivalent to approximately HK\$83,500,000)		RMB66,800,000 (equivalent to approximately HK\$83,500,000)

VALUATION CERTIFICATE

Property interests held by the Target Group in the PRC for self-occupation purpose

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2014
1. An industrial complex located at No. 68 Beiyuan Road, Dianshanhu Town, Kunshan City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land together with 3 single to 4-storey buildings completed in about 2006 erected thereon.</p> <p>The site area and total gross floor area of the property are approximately 35,851.90 sq.m. and 17,187.31 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 9 June 2054 for industrial use.</p>	The property was occupied by the Group for industrial and ancillary uses as at the Valuation Date.	<p>RMB28,000,000 (equivalent to approximately HK\$35,000,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 30 June 2014</p> <p>RMB28,000,000 (equivalent to approximately HK\$35,000,000)</p>

Notes:

- Pursuant to a State-owned Land Use Certificate (Document No.: Kun Guo Yong (2004) Zi No. 12004113045), the land use rights of the property with a site area of approximately 35,851.90 sq.m. were granted to Kunshan Hua Yi Copper Products Company Limited for a term of 50 years expiring on 9 June 2054 for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: Kun Di Rang Cun (Zhi) He (2004) Zi No. 4) entered into between the State-owned Land Resources Bureau of Kunshan City (Party A) and Kunshan Hua Yi Copper Products Company Limited (Party B) on 10 March 2004, the land use rights of the property with a site area of approximately 35,851.90 sq.m. were granted from Party A to Party B for a term of 50 years for industrial use at a consideration of RMB 5,377,785.
- Pursuant to a Building Ownership Certificate (Document No.: Kun Fang Quan Zheng Dian Shan Hu Zi No. 211003191), the building ownership of 3 buildings with a total gross floor area of approximately 17,187.31 sq.m. is vested in Kunshan Hua Yi Copper Products Company Limited. The particulars of the building portion of the property are listed as below:

Building(s)	Approximate Gross Floor Area (sq.m.)	No. of storey
Production Workshop	8,944.92	4
Office Building	2,853.71	2
Production Workshop	5,388.68	1
Total	17,187.31	

4. As advised by the Company, Kunshan Hua Yi Copper Products Company Limited is an indirect wholly-owned subsidiary of the Target Company.
5. The property is situated along Beiyuan Road in Dianshanhu Town of Kunshan City. Various low-rise industrial complexes are found nearby. It is about 50-minute driving distance to Shanghai Hongqiao International Airport and about 40-minute driving distance to Kunshan Railway Station. The property is accessible by bus and taxi.
6. The property was inspected by Ms. Erica Zhang (BSc(Surveying), FRM) on 13 June 2014. The external condition of the property was reasonable.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, inter alia, the following information:
 - (a) The current registered owner of the property is Kunshan Hua Yi Copper Products Company Limited. The property is entitled to be occupied, transferred, and leased; and
 - (b) The property is subject to mortgage in favor of the Agriculture Bank of China Kunshan Branch via 4 mortgage contracts dated 10 February 2014. The maximum mortgage loan is RMB33,000,000 and the mortgage period is from 10 February 2014 to 9 February 2017.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2014
2. An industrial complex located at Nos. 66 and 69 Beiyuan Road, Dianshanhu Town, Kunshan City, Jiangsu Province, the PRC	<p>The property comprises 2 parcels of land together with 5 single to 5-storey buildings completed in about 2006 erected thereon.</p> <p>The site area and total gross floor area of the property are approximately 50,476.20 sq.m. and 22,352.74 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 9 June 2054 for industrial use.</p>	The property was occupied by the Group for industrial and accommodation uses as at the Valuation Date.	<p>RMB38,800,000 (equivalent to approximately HK\$48,500,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 30 June 2014</p> <p>RMB38,800,000 (equivalent to approximately HK\$48,500,000)</p>

Notes:

- Pursuant to 2 State-owned Land Use Certificates (Document Nos.: Kun Guo Yong (2004) Zi Nos. 12004113046 and 12004113047), the land use rights of the property with a site area of approximately 50,476.20 sq.m. were granted to Kunshan Chau's Electrical Company Limited for a term of 50 years expiring on 9 June 2054 for industrial and use. The particulars of the State-owned Land Use Certificates are listed as below:

Lot Nos.	Approximate site area (sq.m.)	Tenure expiry Date	Permitted use	State-owned Land Use Rights Certificates (Document Nos.)
1130101213	16,596.70	9 June 2054	Industrial	Kun Guo Yong (2004) Zi No. 12004113046
1130101214	33,879.50	9 June 2054	Industrial	Kun Guo Yong (2004) Zi No. 12004113047
Total	<u>50,476.20</u>			

- Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: Kun Di Rang Cun Zheng He (2004) Zi No. 19) entered into between the State-owned Land Resources Bureau of Kunshan City (Party A) and Kunshan Chau's Electrical Company Limited (Party B) on 10 March 2004, the land use rights of the property with a site area of approximately 50,476 sq.m. were granted from Party A to Party B for a term of 50 years for industrial use at a consideration of RMB7,571,430.

3. Pursuant to 2 Building Ownership Certificates (Document Nos.: Kun Fang Quan Zheng Dian Shan Hu Zi Nos. 211002521 and 211002522), the building ownership of 5 buildings with a total gross floor area of approximately 22,352.74 sq.m. is vested in Kunshan Chau's Electrical Company Limited. The particulars of the building portion of the property are listed as below:

Building(s)	Approximate gross floor area (sq.m.)	No. of storey	Building Ownership Certificates (Document Nos.)
Office Building	2,382.68	5	Kun Fang Quan Zheng Dian Shan Hu Zi No. 211002521
Research Building	5,387.97	5	
Research Building	2,457.70	5	
Production Workshop	6,923.28	1	Kun Fang Quan Zheng Dian Shan Hu Zi No. 211002522
Production Workshop	<u>5,201.11</u>	1	
Total	<u>22,352.74</u>		

4. As advised by the Company, Kunshan Chau's Electrical Company Limited is an indirect wholly-owned subsidiary of the Target Company.
5. The property is situated along Beiyuan Road in Dianshanhu Town of Kunshan City. Various low-rise industrial complexes are found nearby. It is about 50-minute driving distance to Shanghai Hongqiao International Airport and about 40-minute driving distance to Kunshan Railway Station. The property is accessible by bus and taxi.
6. The property was inspected by Ms. Erica Zhang (BSc(Surveying), FRM) on 13 June 2014. The external condition of the property was reasonable.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, inter alia, the following information:
- The current registered owner of the property is Kunshan Chau's Electrical Company Limited. The property is entitled to be occupied, transferred, and leased; and
 - The property is subject to mortgage in favour of the Agriculture Bank of China Kunshan Branch via 6 mortgage contracts dated 10 February 2014. The maximum mortgage loan is RMB43,000,000 and the mortgage period is from 10 February 2014 to 9 February 2017.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Percentage of issued Share capital
Mr. Wong Hin Shek	Beneficial owner	—	29,900,000	29,900,000	0.83%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	—	23,000,000	0.64%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) 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 which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, none of the Directors is a director or employee of a company, which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholder's interests

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the Shares or underlying Shares

Name of substantial Shareholders	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Percentage of issued Share capital
Goldsure Limited (<i>Note 1</i>)	Beneficial owner	—	1,238,095,238	1,238,095,238	34.44%
Mr. Tang Tong (<i>Note 1</i>)	Interest of controlled corporation	—	1,238,095,238	1,238,095,238	34.44%
Intense Rise Holdings Limited (<i>Note 2</i>)	Beneficial owner	870,007,125	—	870,007,125	24.20%
Mr. Choy Shiu Tim (<i>Note 2</i>)	Beneficial owner & Interest of controlled corporation	1,050,007,125	—	1,050,007,125	29.21%
Wise Profit Group Limited (<i>Note 3</i>)	Beneficial owner	418,210,000	—	418,210,000	11.63%
Mr. Wong Yat Fai (<i>Note 3</i>)	Beneficial owner & Interest of controlled corporation	420,850,000	—	420,850,000	11.71%

Notes:

- The 1,238,095,238 convertible preference shares are held by Goldsure Limited, which is wholly-owned by Mr. Tang Tong. Thus, he is deemed to be interested in the 1,238,095,238 convertible preference shares held by Goldsure Limited pursuant to the SFO.
- 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.

3. The 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, so far as was known to the Directors, no person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his associates were appointed to represent the interests of the Company and/or the Group.

4. SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 30 June 2013, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. 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 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:

- (i) the SPA;
- (ii) the loan agreement dated 3 July 2014 entered into between Cash Stand Investments limited, an indirect wholly owned subsidiary of the Company as lender and an independent third party (as defined under Listing Rules) as borrower in relation to the granting of a term loan in the amount of HK\$50,000,000;
- (iii) the placing agreement dated 14 March 2014 entered into between Castle Stream limited, a direct wholly owned subsidiary of the Company as the issuer and AMTD as placing agent for the purposes of arranging the Placees on a best effort basis for the issue of the Bonds with an aggregate principal amount of up to HK\$200,000,000;
- (iv) the loan agreement dated 2 April 2013 entered into between Cash Stand Investments limited, an indirect wholly owned subsidiary of the Company as lender and an independent third party (as defined under Listing Rules) as borrower in relation to the granting of a term loan in the amount of HK\$40,000,000;
- (v) the agreement dated 1 November 2012 entered into between the Company as the Investor's holding company, the Counterparty as vendor and the Guarantor in relation to acquisition of Target Company at a consideration in the sum of HK\$260,000,000 and supplemental agreement dated 23 January 2013 between the Investor, the Company, the Counterparty and the Guarantor in relation to amendment the terms of the Agreement;
- (vi) the loan agreement dated 15 October 2012 entered into between Cash Stand Investments Limited, an indirect wholly-owned subsidiary of the Company as lender and 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;
- (vii) The conditional placing agreement dated 5 October 2012, supplemental placing agreement dated 4 January 2013 and the termination of placing agreement dated 7 January 2013 entered into between the Company and Kingston Securities Limited in relation to the placing up to 599,000,000 placing shares pursuant to the placing agreement.

9. 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
Grant Sherman Appraisal Limited	Independent Professional Valuer

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

As at the Latest Practicable Date, Grant Sherman Appraisal Limited:

- (i) was not interested, either direct or indirect, in any assets which have been, since 30 June 2013, 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 Group; and
- (ii) did not have any shareholding in any member of the 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 Group.

10. MISCELLANEOUS

- (i) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The head office and principal place of business of the Company in Hong Kong is Suite 3908, 39/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (iii) 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.
- (iv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Suite 3908, 39/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, up to and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the Company's annual reports for the two years ended 30 June 2012 and 30 June 2013, respectively;
- (iii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (iv) the valuation report of the Target Group and property valuation report by Grant Sherman Appraisal Limited as at out in Appendices II and III to this circular respectively;
- (v) the written consent from Grant Sherman Appraisal Limited referred to in the paragraph head "Expert and Consent" in this Appendix; and
- (vi) this circular.



GUOCANG GROUP LIMITED

國藏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 559)

NOTICE IS HEREBY GIVEN that an special general meeting of Guocang Group Limited (the “Company”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Thursday, 18 September 2014 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the sale and purchase agreement dated 24 July 2014 (the “SPA”) (a copy of which has been produced to the Meeting marked “A” and initialed by the chairman of the Meeting for the purpose of identification) entered into between the Company, and Zhan Liang Holdings Limited (the “Purchaser”), pursuant to which, among other things, the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issue share capital of Hua Yi Copper (BVI) Limited (the “Target Company”) for a consideration of HK\$136.5 million or the appraised value of the Target Company and its subsidiaries conducted by an independent professional valuer (whichever is lower) on terms and conditions as set out in the SPA, and the transactions contemplated thereunder be and are hereby generally and unconditionally approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to do such acts and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the SPA as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the SPA and the implementation of all transactions contemplated thereunder.”

By order of the Board
Guocang Group Limited
Chi Chi Hung Kenneth
Executive Director

Hong Kong, 29 August 2014

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such person may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders by present at the 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. 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.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be delivered at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. 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.