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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guocang Group Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

GUOCANG GROUP LIMITED
國藏集團有限公司

(proposed to be renamed as DeTai New Energy Group Limited
德泰新能源集團有限公司)
(Incorporated in Bermuda with limited liability)
(Stock Code: 559)

(1) MAJOR TRANSACTION INVOLVING SUBSCRIPTION OF CONVERTIBLE BONDS AND (2) NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting (the "**SGM**") of the Company to be held at Unit 4202, 42/F, The Center, 99 Queen's Road Central, Hong Kong on Wednesday, 16 December 2015 at 10:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding 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 adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

25 November 2015

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

"Abilitas Appointment"	the appointment of Abilitas Hospitality Co., Ltd. as manager of the hotel business of the Resort Towers under a hotel management agreement dated 1 September 2012 which was renewed on 1 September 2015
"Announcement"	announcement of the Company dated 4 September 2015 in respect of the subscription of the Convertible Bonds
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bondholder"	holder of the Convertible Bond(s)
"Business Day(s)"	a day other than a Saturday, a Sunday or a public holiday on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Guocang Group Limited (國藏集團有限公司), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement (as amended by the Supplemental Agreement)
"Completion Date"	the date on which Completion takes place, being the third Business Day after all the conditions have been fulfilled or waived by the Subscriber (as the case may be) or such other date as the Target and the Subscriber may agree
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration"	the Subscription Price of the Convertible Bonds of HK$388,000,000
"Conversion Date"	the date of the exercise of the Conversion Rights by the Subscriber at the maturity of the Convertible Bonds
"Conversion Rights"	the rights of the Bondholder to convert the principal amount outstanding under the Convertible Bonds registered in its names into the Target Shares subject to the terms and conditions of the Instrument

"Conversion Shares"	up to a maximum of 570 new Target Shares, which may be issued upon exercise of the Conversion Rights
"Convertible Bonds"	the HK$388,000,000 3.65 per cent. (3.65%) coupon convertible bonds due on the third (3rd) anniversary of the date of issue to be issued to the Subscriber by the Target
"Director(s)"	director(s) of the Company
"Drawdown Date"	the date on which Key Vision makes the Drawing
"Drawing"	the one lump sum drawing to be made by Key Vision as the borrower on the Drawdown Date pursuant to the terms of Loan to Key Vision Agreement
"Early Redemption"	the early redemption of the entire outstanding principal amount of the Convertible Bonds or such lesser amount of the outstanding principal amount of the Convertible Bonds in integral multiples of HK$1,000,000 by the Target before the Maturity Date in accordance with the terms and conditions of the Convertible Bonds
"Encumbrance"	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, adverse claims, or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interests or any agreement for any of the same and "Encumber" shall be construed accordingly
"Enlarged Group"	the Group as enlarged by the Subscription (assuming the Completion takes place)
"Group"	collectively, the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	third parties independent of and not connected with the Company and its connected persons
"Instrument"	the instrument to be executed by the Target on Completion by way of a deed poll constituting the Convertible Bonds
"JapCo"	Cambridge Venture Partners Kabushiki Kaisha, a company incorporated under the Laws of Japan and a wholly-owned subsidiary of the Target and the owner of the Resort Towers

"JapCo Audited Accounts"	the audited financial statements of JapCo
"Karuizawa Holdings" or "Manager"	Karuizawa Holdings Limited, a company incorporated in BVI with limited liability, which is wholly and beneficially owned by Mr. Cheung
"Key Vision"	Key Vision Holdings Limited, a company incorporated in BVI with limited liability, which is wholly and beneficially owned by Mr. Cheung
"Latest Practicable Date"	23 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the loan to be advanced by the Target to Key Vision subject to and upon the terms and conditions of the Loan to Key Vision Agreement or any part thereof and for the time being outstanding
"Loan to Key Vision Agreement"	has the same meaning as defined in the section headed "Loan to Key Vision Agreement" in "Letter from the Board" of this circular
"Long Stop Date"	31 December 2015 or such later date as the Subscriber may agree
"Maturity Date"	the date falling the third (3rd) anniversary of the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day
"Memorandum of Understanding"	together the non-legally binding memorandum of understanding dated 5 September 2014 (as amended by four letters of extension dated 4 December 2014, 4 March 2015, 4 June 2015 and 4 August 2015) and entered into between the Target as issuer and the Subscriber as subscriber setting out the preliminary understanding in relation to the Subscription
"MOU Deposit"	the sum of HK$180,000,000 which has been paid by the Subscriber to the Target pursuant to the terms and conditions of the Memorandum of Understanding
"Mr. Cheung"	Mr. Cheung Leung Hong, the existing sole shareholder of Key Vision

"Mr. Cheung's Loan"	all obligations, liabilities and debts owing or incurred by the Target to Mr. Cheung on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which as at 31 May 2015, amounted to HK$81.8 million
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Resort Towers"	all property, premises, furniture and fixtures of a completed ski resort hotel known as "One Niseko Resort Towers" comprising two buildings (East Tower and West Tower) with a total of 110 fully furnished units together with facilities and common area situated on freehold land located in Aza-Niseko, Niseko-Cho, Abuta-Gun, Hokkaido, Japan (the "**Place of Business**")
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to approve, implement and effect the Subscription (including, without limitation, the entering into of the Subscription Agreement and the Supplemental Agreement) and any ancillary matters thereto as may be required under the Listing Rules
"Share(s)"	ordinary share(s) of HK$0.05 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Noble Advantage Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company
"Subscription"	the subscription of the Convertible Bonds
"Subscription Agreement"	the subscription agreement dated 4 September 2015 (as amended and supplemented by the Supplemental Agreement) entered into between the Target and the Subscriber in relation to the Subscription

"Subscription Price"	the subscription price of the Convertible Bonds which is equal to the principal amount of the Convertible Bonds of HK$388,000,000
"Supplemental Agreement"	the supplemental agreement dated 23 November 2015 entered into between the Target and the Subscriber to amend certain terms of the Subscription Agreement
"Target"	Integrated Capital Investments Limited, a company incorporated in BVI with limited liability and its principal business is investment holdings
"Target Business"	the business involving the operation of the ski resort hotel at the Resort Towers in Niseko, Hokkaido, Japan principally engaged by the Target Group
"Target Group"	together the Target and JapCo
"Target Shares"	ordinary share(s) of US$1 each in the capital of the Target
"TK Agreement"	a tokumei kumiai agreement dated 30 April 2012 (as supplemented by a supplemental agreement dated 5 September 2014) and entered into between JapCo and the Target in respect of the investment made by the Target in JapCo in the amount of JPY600,000,000 as capital for acquiring the Resort Towers by JapCo
"Trade Marks"	the registered trade marks "ONE NISEKO" under the registration no. 5584638 and "ONE NISEKO RESORT TOWERS AND DEVICE" under the registration no. 5584637 in Japan
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"JPY"	Japanese Yen, the lawful currency of Japan
"%"	per cent.
"sq. m."	square metre(s)

GUOCANG GROUP LIMITED
國 藏 集 團 有 限 公 司

(proposed to be renamed as DeTai New Energy Group Limited
德泰新能源集團有限公司)
(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

Head office and principal place of business in Hong Kong:
12/F., Henley Building
5 Queen's Road Central
Hong Kong

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

25 November 2015

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION INVOLVING SUBSCRIPTION OF CONVERTIBLE BONDS AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement. The Board announced that on 4 September 2015 (after trading hours), the Subscriber, a direct wholly-owned subsidiary of the Company entered into the Subscription Agreement with the Target pursuant to which, subject to terms and conditions therein, the Subscriber has agreed to subscribe for and the Target has agreed to issue, the Convertible Bonds at the Subscription Price. On 23 November 2015, the Target and the Subscriber entered into the Supplemental Agreement to amend certain terms of the Subscription Agreement.

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription; and (ii) notice of the SGM.

THE SUBSCRIPTION AGREEMENT

Date:	4 September 2015 (after trading hours) (as amended and supplemented by the Supplemental Agreement dated 23 November 2015)
Subscriber:	Noble Advantage Limited, a direct wholly-owned subsidiary of the Company which is incorporated in BVI with limited liability
Issuer:	Integrated Capital Investments Limited, a company incorporated in BVI with limited liability and is wholly and beneficially owned by Key Vision which, in turn, is wholly and beneficially owned by Mr. Cheung

As at the Latest Practicable Date, the Target, Key Vision, Karuizawa Holdings and Mr. Cheung did not hold any Shares.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Target, Key Vision, Karuizawa Holdings and Mr. Cheung and their respective associates are Independent Third Parties.

Principal Terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Target
Subscriber:	The Subscriber
Principal Amount:	HK$388,000,000
Interest:	The Convertible Bonds shall bear interest from the date of its issue at the rate of 3.65% per annum on the outstanding principal amount thereof. Interest shall be accrued daily on a 365 days basis and is payable in arrears on each of the following dates: (a) 30 September 2016; (b) the second (2nd) anniversary of the date of issue of the Convertible Bonds; and (c) the Maturity Date. The Convertible Bonds will, in respect of the Conversion Rights attached thereto which are not yet exercised, cease to bear interest on the earliest of (a) its date of conversion into the Conversion Shares; (b) the date of redemption of the Convertible Bonds; and (c) the Maturity Date.
Maturity Date:	The date falling the third (3rd) anniversary of the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day.

Status of Convertible Bonds: The Convertible Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Target and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Target under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future secured and unsubordinated obligations.

Security: The payment obligations and performance of all the obligations of the Target under the Convertible Bonds and the Instrument shall be secured by the security created by the following documents:

(i) the mortgage agreement (the "**Mortgage Agreement**") dated 5 September 2014 and entered into between the Subscriber and JapCo with respect to a charge over the Resort Towers given by JapCo in favour of the Subscriber;

(ii) the amendment to the Mortgage Agreement to be entered into between the Subscriber and JapCo on Completion to further secure the obligations and liabilities of the Target under the Convertible Bonds in favour of the Subscriber;

(iii) the equity interest pledge agreement (the "**Equity Interest Pledge Agreement**") dated 5 September 2014 and entered into between the Subscriber, the Target and JapCo in respect of the pledge of the entire equity interest of JapCo legally and beneficially owned by the Target in favour of the Subscriber;

(iv) the amendment to the Equity Interest Pledge Agreement to be entered into between the Subscriber, the Target and JapCo on Completion to further secure the obligations and liabilities of the Target under the Convertible Bonds and reflect the terms of the Convertible Bonds;

(v) the share charge (the "**Share Charge**") dated 5 September 2014 and created by Key Vision in favour of the Subscriber in respect of the charge of the entire equity interests of the Target to the Subscriber;

(vi) the deed of confirmation and amendment to be entered into by Key Vision and the Subscriber in respect of the amendment to the Share Charge to further reflect the terms of the Convertible Bonds;

(vii) the deed of assignment (the "**Security Assignment I**") by way of security dated 5 September 2014 and entered into by the Target and JapCo in favour of the Subscriber in relation to the assignment by way of security of all debts and liabilities owing by JapCo to the Target and the Target's rights and interests in the TK Agreement;

(viii) the deed of confirmation and amendment to be entered into by the Target and JapCo in favour of the Subscriber in relation to the amendment to the Security Assignment I to reflect the terms of the Convertible Bonds;

(ix) the deed of assignment by way of security (the "**Security Assignment II**") dated 5 September 2014 and entered into by Mr. Cheung and the Target in favour of the Subscriber in relation to the assignment by way of security of all debts and liabilities owing by the Target to Mr. Cheung; and

(x) the deed of confirmation and amendment in relation to the amendment to the Security Assignment II to be entered into by Mr. Cheung, the Target and the Subscriber to reflect the terms of the Convertible Bonds.

The security documents set out in paragraphs (ii), (iv), (vi), (viii) and (x) above will be entered into by the parties to such documents at Completion to reflect the terms of the Convertible Bonds and further secure the obligations and liabilities of the Target under the Convertible Bonds in addition to the deposit paid by the Subscriber.

Application of proceeds: The Target shall undertake to the Subscriber to apply the balance of the proceeds of the issue of the Convertible Bonds of HK$208,000,000 as follows:

(a) firstly, for the full repayment of the Mr. Cheung's Loan together with all outstanding interest accrued; and

(b) secondly, as to the balance (the "**Loan to Key Vision Principal Amount**") for on-lending and advancing to Key Vision pursuant to the terms of the Loan to Key Vision Agreement.

As at the Latest Practicable Date, the Target has used the MOU Deposit for settlement of its borrowings.

Redemption on default: The Bondholder may give notice to the Target that the Convertible Bonds are immediately due and repayable if any of the events of default under the Convertible Bonds occurs.

Upon any such notice being given to the Target, the Convertible Bonds will immediately become due and repayable at their principal amount together with interest accrued in accordance with the Instrument from the date of such notice to the date (after as well as before judgment) on which full payment of all amounts payable under the Convertible Bonds is made in accordance with the provisions of the Instrument.

Redemption on maturity: Any amount of the Convertible Bonds which remains outstanding at 4:00 p.m. on the Maturity Date shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued under the Instrument.

Early redemption: Notwithstanding any other provisions in the Instrument, the Bondholder shall be entitled at its sole discretion, by giving not less than thirty (30) days' prior written notice to the Target, request the Target to redeem the entire outstanding principal amount of the Convertible Bonds or such lesser amount of the outstanding principal amount of the Convertible Bonds in integral multiples of HK$1,000,000 at any time after 30 September 2016 up to and including the date falling 90 days immediately before the Maturity Date.

Conversion: The Bondholder shall have the right, exercisable on and only on the Maturity Date, to convert the whole (but not part of) the outstanding principal amount of the Convertible Bonds registered in its name into such number of the Conversion Shares determined in accordance with the following formula.

The number of Conversion Shares to be issued will be determined as follows:

N = 570 x P/HK$388,000,000

Where:

N is the number of the Conversion Shares to be issued; and

P is the amount of the outstanding principal amount of the Convertible Bonds to be converted.

Fractions of Conversion Shares will not be issued on conversion and the amount representing such fraction will be paid to the Bondholder in respect of such fraction.

As at the Latest Practicable Date, the Target has 30 Target Shares in issue. The Target shall represent, warrant and undertake in favour of the Bondholder that the Conversion Shares which would be allotted and issued as a result of the exercise in full of the Conversion Rights would represent 95% of the issued share capital of the Target as at the Conversion Date as enlarged by the allotment and issue of the Conversion Shares.

Status of Conversion Shares: The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all the issued Target Shares at the date of allotment and issue of such Conversion Shares.

Specific undertakings: The Target undertakes that it shall during the term of the Convertible Bonds take all steps necessary to ensure that each member of the Target Group shall not carry out, among other matters, any of the following actions and no resolution of the board of directors of such member of the Target Group or of its general meeting shall be passed to carry out the same unless the written consent of the Subscriber is obtained:

(i) consolidation or sub-division of any shares in any member of the Target Group;

(ii) the creation or issue of any shares in any member of the Target Group or the grant of any options over any shares or the uncalled capital of any member of the Target Group or the issue of any warrant, debentures, securities or other obligations convertible into shares in such member of the Target Group or enter into any agreement to do any of the same;

(iii) the capitalisation, repayment or other form of distribution of any amount standing to the credit or any reserve of any member of the Target Group on the redemption or purchase of any shares in such member of the Target Group or any other reorganisation of share capital;

(iv) the alteration of the rights attaching to any of the shares in any member of the Target Group; or

(v) the alteration of the memorandum and articles of association of any member of the Target Group.

Transferability: The Convertible Bonds are not transferrable.

Voting rights: The Bondholder shall not be entitled to attend or vote at any meetings of the Target by reason only of it being Bondholder.

Listing: No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Conditions Precedent

Completion is conditional upon, amongst other things, the following conditions precedent having been fulfilled (or waived):

(1) the Subscriber being satisfied at its sole and absolute discretion with the results of the financial, legal and other due diligence review to be conducted on the assets, liabilities, operation and affairs of the Target Group;

(2) all necessary consents, licences and approvals required to be obtained on the part of any member of the Target Group in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(3) all necessary consents, licences and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(4) the passing by the Shareholders who are allowed to vote and not required to abstain from voting at the SGM of all necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereby including but not limited to the Subscription, and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(5) the issue of this circular to the Shareholders by the Company as required under the Listing Rules;

(6) the warranties given by the Target under the Subscription Agreement remaining true and accurate in all respects; and

(7) the obtaining of a legal opinion from a firm of Japan legal advisers appointed by the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereby, including but not limited to the following aspects: (i) the due and proper incorporation and valid existence under the Laws of Japan of JapCo; (ii) the power and authority of JapCo to carry on its businesses as set forth in the constitutional documents of JapCo; (iii) the ownership of the issued share capital of JapCo; (iv) the title of JapCo to the Resort Towers; and (v) any other matters as may be required by the Subscriber.

The Target shall use its best endeavours to: (i) assist the Subscriber in connection with the due diligence review as mentioned above; and (ii) procure the fulfillment of the conditions set out in (1), (2), (6) and (7) above. The Subscriber shall use its best endeavours to procure the fulfillment of the conditions set out in (3), (4) and (5) above.

The Subscriber may at any time waive in writing the condition set out in (1), (6) and (7) above. The conditions set out in (2), (3), (4) and (5) above are incapable of being waived by either the Subscriber or the Target. If any of the conditions precedent has not been satisfied (or, as the case may be, waived by the Subscriber) at or before 12:00 noon on Long Stop Date, the Subscription Agreement shall cease and determine and neither party hereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof, and the Target shall refund the MOU Deposit to the Subscriber within 10 Business Days after the Long Stop Date.

Completion

Completion shall take place on the Completion Date or at such other time and on such other date as the parties to the Subscription Agreement shall agree in writing, provided that all the conditions precedent referred to under the paragraph headed "Conditions Precedent" above are satisfied or if applicable, waived.

Nomination of directors

Pursuant to the terms of the Subscription Agreement (as amended by the Supplemental Agreement), so long as any principal or interest of the Convertible Bonds remains outstanding, the Subscriber shall have the right to appoint not more than two persons as directors for each of the Target and its subsidiary(ies).

Consideration

Subject to and upon the terms and conditions of the Subscription Agreement, the Subscriber shall subscribe for the Convertible Bonds and shall pay to the Target an amount equal to the Subscription Price, as the subscription money for the Convertible Bonds in the following manner:

(1) HK$180,000,000, shall be settled by the MOU Deposit upon execution of the Subscription Agreement; and

(2) the balance of the Consideration of HK$208,000,000 shall be paid by the Subscriber to the Target in cash at Completion.

In the event that Completion does not take place in accordance with the Subscription Agreement for whatever reason, the Target shall refund the MOU Deposit (without interest) to the Subscriber in full and final settlement of any liabilities of the Subscriber towards the Target and vice versa and whereupon neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

Basis of Consideration

The Subscription Price of HK$388,000,000 in respect of the Subscription was determined following commercial negotiations between the parties to the Subscription Agreement on an arm's length basis with reference to various factors, including but not limited to the preliminary appraised value of the Resort Towers of approximately JPY6,515 million (equivalent to approximately HK$423.48 million) in August 2015, the financial results and future prospects of the Target Group.

The Directors (including the independent non-executive Directors) consider that the Subscription Price payable to the Target for the issue of the Convertible Bonds is fair and reasonable.

MANAGEMENT AGREEMENT

Subject Matter

Pursuant to the Subscription Agreement, the Target as owner and Karuizawa Holdings as the manager (the "**Manager**") shall enter into a management agreement (the "**Management Agreement**") in relation to the management and operations of the Target Group upon Completion.

Principal Terms of the Management Agreement

The principal terms of the Management Agreement are set out below:

Effective Date: The Management Agreement shall take effect on the date of termination of the Abilitas Appointment.

Terms of appointment: The Target shall appoint the Manager and the Manager shall serve the Target, as manager of the Target Business for an initial fixed term of 10 years commencing on the date of the termination of the Abilitas Appointment (the "**Initial Term**") renewable automatically for two successive terms of five years each commencing from the day immediately following the date of expiry of the then current term (the "**Term**"), unless terminated by either party under the terms of the Management Agreement. JapCo will terminate the Abilitas Appointment as soon as possible after the date of the Management Agreement.

The appointment of the Manager thereunder shall be exclusive as regards the Target Business. During the continuance of the appointment thereunder, except with the consent of the Manager, the Target shall not appoint any other person to act as manager of the Target Business or to perform any duties or obligations or exercise any powers of, the Manager under the Management Agreement. For the avoidance of doubt, the Manager is entitled to provide its hotel management and operation services to other hotels during the Term.

Obligations: The Manager shall in the discharge of its duties and in the exercise of its powers observe and comply with the terms of the Management Agreement.

The Manager shall devote its energy, attention, ability and time to the Target Business during the Term. The Manager shall use its best endeavours to promote the Target Business.

The Manager shall be solely and exclusively responsible for the management and operation of the Target Business which shall include but is not limited to the following duties:

(a) to manage, conduct and operate the Target Business as may be reasonably required by the Target;

(b) to keep the Place of Business open for the conduct and operation of the Target Business for the normal business hours as appropriate for a business similar to the Target Business as the Manager may determine;

(c) to recruit for and on behalf of the Target, supervise and manage staff working at the Place of Business including but not limited to ensuring that all staff engaged in the operation of the Target Business comply with the operational manual and procedures from time to time adopted for the Target Business;

(d) to arrange at the costs of the Target for all materials, supplies, equipment, apparatus, machines and such other necessary items to be used in connection with the operation of the Target Business;

(e) to charge customers prices as the Manager may determine for the products and services of the Target Business;

(f) to keep at the Place of Business operational records, account records and inventory records in such form as the Manager may determine or prescribe and shall forward such records to the Target at such intervals as the Target may determine;

(g) to procure that the Place of Business are registered and licensed as required from time to time in accordance with those laws, rules and regulations applicable to the Target Business or its conduct and in particular (without limitation) the laws, by-laws and regulations relating to environmental protection, health, safety, fire precaution and hygiene;

(h) to conduct the Target Business and to execute all works and provide and maintain all arrangements upon or in respect of the Place of Business or the use to which the Place of Business are being put that are required in order to comply with the requirements of all applicable statute, by-laws, rules and regulations, or of any government department, local authority, competent authority or court of competent jurisdiction;

(i) not to do or permit to do on the Place of Business or in relation to the Target Business any act or thing by reason of which the Target may under any statute incur, have imposed upon it or become liable to pay any penalty, damages, compensation, costs, charges or expenses; and

(j) without prejudice to the generality of the above, to comply in all respects with the provisions of any laws, rules and regulations and any other obligations imposed by law or by-laws or regulations applicable to the Place of Business or with regard to carrying on the Target Business at the Place of Business.

The Manager shall be conferred with full rights and authorities which are incidental to the operation and management of the Target Business.

The Manager shall be entitled at its discretion to appoint any sub-manager(s), agent(s) or contractor(s) in relation to the management or operation of the Target Business hereunder or in relation to any of the Manager's powers and duties thereunder.

The Manager shall upon request of the Target, keep the Target informed of the Manager's conduct of the Target Business or affairs of the Target Business and provide such explanations as the Target may reasonably require in connection therewith. Notwithstanding the aforesaid, the Manager shall report to the Target as soon as reasonably practicable and in any event within three (3) Business Days upon the awareness of the same by the Manager, any event or occurrences or acts or things done of material importance to the Target Business as a whole which are outside or not in the normal and ordinary course of the Target Business.

Reporting:

The Manager shall, on or before the date falling the 25th day from the last day of a calendar month (each a "**Relevant Month**"), deliver to the Target the monthly report (the "**Monthly Report**") of the Target Business made up to the last day of the Relevant Month for the period commencing from the first day of each calendar month and ending on the last day of the Relevant Month prepared in accordance with Uniform System of Accounts for the Lodging Industry comprising the following:

(a) profit and loss statement for the Relevant Month with accumulative figures from the commencement of the financial year of JapCo;

(b) average daily rate and statistical reports on the rates of occupancy; and

(c) any other monthly report reasonably requested by the Target, and is normally prepared by managers of similar business in the same area where the Place of Business is located.

The Manager shall, on or before the date falling the 45th day from the last day of a financial year (each a "**Relevant Financial Year**") of JapCo, deliver to the Target the following documents:

(a) the annual financial statements (the "**Annual Financial Statements**") of the Target Business (including profit and loss statement) for the Relevant Financial Year; and

(b) all supporting documents and working papers showing the preparation and compilation of the Annual Financial Statements and such other documents which, in the reasonable opinion of the Target, are necessary or desirable for the performance of the audit or assessment of such Annual Financial Statements.

If requested by the Target, the Annual Financial Statements shall be audited by the auditors appointed by the Target. The Manager shall cooperate with and provide all necessary documents and assistance to such auditors in relation to the audit of the Annual Financial Statements.

Remuneration: The Target shall pay to the Manager a monthly fee (the "**Fee**") equal to the aggregate sum of the following amounts within 14 days after the date of issue of the Monthly Report for the Relevant Month:

(a) 5% of the gross operating revenue of the Target Business (the "**Target Business GOR**") as shown in the Monthly Report for the Relevant Month; and

(b) 7.5% of gross operating profit of the Target Business (the "**Target Business GOP**") as shown in the Monthly Report for the Relevant Month.

If in any Relevant Month, the length of the Manager's appointment is less than a full month, the Fee (if any) for such Relevant Month will be paid pro rata to the length of the Manager's appointment in such Relevant Month.

The Target Business GOR means with respect to any period of time, all revenue and income of any kind derived directly or indirectly from the operation of the Target Business and properly attributable to such period, determined in accordance with the Uniform System of Accounts for the Lodging Industry, including all sales, revenue and service charge in connection with the Target Business but excluding (i) sales, occupancy, value added, use, excise taxes and similar taxes imposed and collected directly from patrons or guests or as part of the sales price; (ii) receipts from the financing, sale or other disposition of capital assets and other items not in the ordinary course of the operations of the Target Business and income derived from securities and other property acquired and held for investment; (iii) awards for any permanent expropriation or other similar event; (iv) proceeds of any insurance; (v) reimbursements to the Target Business for allocated expenses to any third party areas and other areas of the Place of Business; and (vi) rebates, discounts or credits for any goods or services provided by the Target Business (provided that charge and payment card commissions shall not reduce the Target Business GOR, but shall be operating expenses).

If the Annual Financial Statements are audited and there are any discrepancies between the audited Annual Financial Statements and the Monthly Reports for a Relevant Financial Year, the total amount of the Fee payable by the Target to the Manager for such Relevant Financial Year shall be adjusted based on the Target Business GOR and the Target Business GOP as shown in the audited Annual Financial Statements. If there is any shortfall or excess in the actual Fee paid by the Target to the Manager, the Target or the Manager (as the case may be) shall pay the shortfall or the excess to the other party within 30 days from the date of issue of the audited Annual Financial Statements.

Termination: The Management Agreement may be terminated forthwith by the Target without prior notice if at any time:

(a) the Manager shall commit any material breach of any of the provisions therein contained and shall fail to remedy the same within 30 days of being notified by the Target; or

(b) the Manager shall be subject to winding up proceedings or make any arrangement or composition with its creditors; or

(c) the Manager be convicted of any criminal offence (other than an offence which in the reasonable opinion of the Target Board (as defined below)) does not affect its position as a manager of the Target Business)

If the Management Agreement is terminated by the Target prior to its expiry otherwise than pursuant to the above provisions or due to the cessation of the Target Business or the sale of the Place of Business, the Target shall forthwith pay to the Manager a sum equal to the Fee to which the Manager is entitled for the remaining maximum possible Term assuming that the Initial Term has been renewed for two successive terms of five years each and the monthly Target Business GOR and the monthly Target Business GOP for the remaining maximum possible Term are the same as the average monthly Target Business GOR and monthly Target Business GOP for the last financial year preceding the termination.

SHAREHOLDERS' AGREEMENT

Subject Matter

Pursuant to the Subscription Agreement, the Subscriber, Key Vision and the Target shall enter into a shareholders' agreement (the "**Shareholders' Agreement**") in relation to the operations and management of the Target at Completion.

Principal Terms of the Shareholders' Agreement

The principal terms of the Shareholders' Agreement are set out below:

Board Composition

At any time when the shareholding of the Subscriber is more than 50%, the majority of the board of directors of the Target (the "**Target Board**") shall be appointed by the Subscriber and Key Vision shall have the right to appoint at least one director. At any time when the shareholding of the Subscriber is 50%, each of the Subscriber and Key Vision shall appoint an equal number of directors. At any time when the shareholding of the Subscriber is less than 50% but more than 30%, the majority of the Target Board shall be appointed by Key Vision and the Subscriber shall have the right to appoint at least one director.

The chairman of the Target Board shall not be entitled to a second or casting vote.

Matters requiring consent of the shareholders of the Target

During the term of the Shareholders' Agreement, the parties to the Shareholders' Agreement agree to take all steps necessary to ensure or procure that the Target Group shall not carry out any of the following actions and no resolution of the board of directors of companies of the Target Group (the "**Target Group Companies**") or of the shareholders of the Target Group Companies, whether at a duly convened and constituted meeting of the board of directors of the Target Group Companies or the shareholders of the Target Group Companies or by way of written resolutions of the directors or the shareholders of the Target Group Companies, shall be passed to carry out the same unless the consent of all the shareholders of the Target is obtained:

(a) the creation or issue of any shares or the grant of any options over any shares or the uncalled capital of any Target Group Companies or the issue of any warrant, debentures, securities or other obligations convertible into shares of any Target Group Companies or enter into any agreement to do any of the same except for the conversion of the Convertible Bonds;

(b) the capitalisation, repayment or other form of distribution of any amount standing to the credit of any reserve of any Target Group Companies on the redemption or purchase of any shares of the Target Group Companies or any other reorganisation including any increase of or reduction in the share capital of the Target Group Companies;

(c) the winding-up or liquidation of any Target Group Company;

(d) the consolidation, subdivision, conversion or other reorganisation of the share capital of any Target Group Company or the alteration of the rights attaching to the shares of any Target Group Company;

(e) the alteration of the memorandum or articles of association (or equivalent constitutional documents) of any Target Group Company, and the passing of any resolutions, inconsistent with the provision of the Shareholders' Agreement;

(f) the entering into of any transaction with any person by any Target Group Company other than in its ordinary course of business;

(g) the entering into of any material contract by any Target Group Company with any shareholder of the Target or its associates;

(h) the acquisition or purchase or subscription of any shares, debentures, mortgages or securities (or interests therein) in any company, trust or other body;

(i) the redemption or buying back of shares of any Target Group Company out of its capital;

(j) the lending of any moneys (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposit), the granting of any credit, the giving of any guarantee or indemnity to any person including shareholders or associates of any Target Group Company except for the loan to Key Vision under the Loan to Key Vision Agreement;

(k) the borrowing of any moneys from banks, financial institutions or any other persons or the creation of any contract or obligation (including any renewals or variation in the terms of any existing contract or obligation) to pay money or money's worth to any director or shareholders of any Target Group Company or to any holding company of such shareholders or any other subsidiary of such holding company or to any person as a nominee or associates of any such shareholder (save pursuant to the provisions contained in the Shareholders' Agreement);

(l) the consolidation, amalgamation or merger of any Target Group Company with any other company, entity or concern or the acquisition of any other business by any Target Group Company;

(m) the alteration of the composition of the Target Board (save pursuant to the provisions contained in the Shareholders' Agreement);

(n) the change of the status of any Target Group Company (including but not limited to) from private company to public company;

(o) the change of any dividend policy of the Target pursuant to the terms of the Shareholders' Agreement;

(p) any material change to remuneration package of the directors of any Target Group Company;

(q) the admission of any person (whether by subscription or transfer) as a shareholder of any Target Group Company other than in accordance with the provisions of the Shareholders' Agreement;

(r) the variation of any rights attaching to any shares of the Target ("**Target Share(s)**");

(s) the borrowing of any sum by any Target Group Company in excess of HK$10,000,000 in aggregate;

(t) the giving of any guarantee or indemnity for or otherwise securing the liabilities or obligations of any person;

(u) the making of any loans or advances or giving any credits (other than normal trade credit on commonly acceptable terms) to any person;

(v) the sale, transfer, lease, assignment or otherwise disposition of any material part of its undertaking, property, or assets (or any interest therein) or contracting so to do;

(w) the granting of any power of attorney or delegation of powers of directors of the Target;

(x) the commencement, defence or settlement of any material litigation, arbitration or other legal proceedings concerning any Target Group Company;

(y) the dismissal or appointment of auditors for any Target Group Company;

(z) the creation of any fixed or floating charge, lien or other Encumbrances over any property or asset of any Target Group Company;

(aa) the entering into of any contract, arrangement or commitment involving expenditure on capital account or the realisation of capital assets if the amount or the aggregate amount of such expenditure or realisation by any Target Group Company would exceed HK$10,000,000 per transaction;

(bb) the incorporation, formation or acquisition of a subsidiary or disposal of any interest or shareholding in a subsidiary of any Target Group Company or the acquisition of any share in any other company or the participation by any Target Group Company in any partnership or joint venture; and

(cc) the determination the emoluments of directors of any Target Group Company.

Disposal and charging of shares of the Target

The transfer of the Target Shares by any shareholder is subject to the right of first refusal of the other shareholder.

Notwithstanding the right of first refusal, the shareholders shall be permitted at any time to make any of the following transfer:

(a) a transfer of any of its Target Shares to any person with the consent in writing of the other shareholder which consent may be unconditional or subject to any term or condition as may be imposed by the other shareholder; and/or

(b) a transfer of its Target Shares by any of the shareholder to a company which is its Relevant Associate (as defined below) provided that if the Relevant Associate shall at any time thereafter cease to be a Relevant Associate of the relevant shareholder, the relevant shareholder shall forthwith notify the other shareholder(s) and shall procure that all the Target Shares held by the Relevant Associate are re-transferred to the relevant shareholder or to another Relevant Associate of such shareholder on or before the date when the Relevant Associate ceases to be a Relevant Associate of such shareholder.

Relevant Associate means, in relation to a shareholder, a company or body corporate:

(a) which is wholly owned by such shareholder;

(b) of which such shareholder is a wholly owned subsidiary/entity; or

(c) which is a wholly owned subsidiary of a company or body corporate of which such shareholder is a wholly owned subsidiary

If there is a change of control of a shareholder or of any company (other than the Company) of which a shareholder is a wholly-owned subsidiary (the "**Holding Company**"), such shareholder is deemed to have delivered a transfer notice to the other shareholder offering to sell its shareholders to the other shareholder based on the consolidated net asset value determined by the auditors of the Target provided that if the other shareholder gives written notice to the Target within 10 days of the relevant change of control that it does not object to such change, such deemed transfer notice shall be deemed to have been revoked.

Control of a shareholder or a Holding Company shall be regarded as vested in any person or group of persons who, pursuant to an agreement or understanding (whether formal or informal) actively co-operate to maintain or consolidate control of such shareholder or Holding Company who or which:

(a) directly or indirectly controls the exercise of more than half of the voting power of that shareholder or Holding Company; or

(b) directly or indirectly controls the composition of a majority of the board of directors of that shareholder or Holding Company;

and a change of control includes any event the result of which is that a control of the shareholder or the Holding Company in question by any person or group of persons as aforesaid becomes vested in another person or group of persons who were not in control before that event.

None of the shareholders of the Target shall, except with the prior written consent of the other shareholder, create or permit to subsist any Encumbrance over all or any of the shares or any interest therein for the time being held by it.

Undertakings by the Target and its shareholders

Pursuant to the Shareholders' Agreement, each shareholder of the Target shall undertake and covenant with the other that during the continuance of the Shareholders' Agreement:

(a) it shall exercise all voting rights and powers of control available to it or procure the directors nominated by them to exercise all power and control in relation to the Target Group so as:

(i) to give full effect to the terms and conditions contained in or contemplated by the Shareholders' Agreement;

(ii) to carry on the Target Business in a proper and reasonable manner and on arm's length basis; and

(iii) to keep and make true and proper accounts of the Target Group;

(b) it shall support and implement or procure the directors nominated by them to support and implement all necessary proposals put forward at any directors' meeting and other meetings of the Target Group to enable the affairs of the Target Group to be conducted in accordance with the Shareholders' Agreement and all relevant laws and regulations and shall refrain from acting in any manner which does not accord with the same.

Duration and Termination

The Shareholders' Agreement shall take effect upon the exercise of the Conversion Rights by the Subscriber and continue in full force and effect until the earlier of (i) the winding up of the Target or (ii) the Target ceases to exist as a separate corporate existing or (iii) all the shares of the Target are held beneficially by one shareholder or (iv) any shareholder after such shareholder shall have ceased to be a shareholder or (v) if there is no exercise of the Conversion Rights at the maturity of the Convertible Bonds by the Subscriber.

LOAN TO KEY VISION AGREEMENT

Subject Matter

Pursuant to the Subscription Agreement, the Target as lender and Key Vision as borrower shall enter into a loan agreement (the "**Loan to Key Vision Agreement**") at Completion in respect of the provision of a 3-year interest-free term loan in the principal amount equivalent to the balance of the proceeds of the issue of the Convertible Bonds as mentioned in the paragraph headed "Application of proceeds" in the section headed "Principal terms of the Convertible Bonds" above.

Principal Terms of the Loan to Key Vision Agreement

The major terms of the Loan to Key Vision Agreement are set out below.

The Lender:	the Target (the "**Lender**")
The Borrower:	Key Vision (the "**Borrower**")
Principal amount of the Loan:	the Loan to Key Vision Principal Amount
Interest:	No interest shall be accrued on the Loan from the date of the Loan to Key Vision Agreement until repayment in full.
Term:	Three (3) years commencing from the Drawdown Date.
Repayment Date:	The date falling three (3) years from the Drawdown Date (the "**Repayment Date**").
Repayment:	The Borrower shall repay on the Repayment Date the Loan in full in one lump sum.
Mandatory prepayment and waiver:	Upon the occurrence of the Early Redemption, the Borrower shall prepay the Loan in an amount equal to the amount of the outstanding principal amount of the Convertible Bonds to be redeemed by the Subscriber as set out in the notice given by the Subscriber to the Lender on or before the date of such Early Redemption. The failure to make prepayment on or before the date of such Early Redemption shall be an event of default (as defined below). The parties to the Loan to Key Vision Agreement agree that, in the event of the full conversion of the outstanding principal amount of the Convertible Bonds on the Maturity Date (the "**Conversion**"), the Lender shall, as soon as reasonably practicable after the Conversion, take all steps that may be necessary to waive the outstanding principal amount of the Loan in its entirety.

Conditions precedent: The making of the Drawing by the Borrower is subject to the following conditions that:

(1) the Lender shall have received not on the Business Day on which the Drawing is to be made a duly completed and signed original notice of drawing;

(2) no event of default (as defined below) shall have occurred (or would be likely to occur as a result of the Drawing being made) and all representations and warranties made by the Borrower in or in connection with the Loan to Key Vision Agreement shall be true and correct as at the date the Drawing is to be made with reference to the facts and circumstances then subsisting; and

(3) the Lender having received certified copy of the resolutions of the board of directors of the Borrower authorising the execution and delivery of the Loan to Key Vision Agreement and authorising a person or persons to sign on its behalf the Loan to Key Vision Agreement.

Events of default: There shall be an event of default if any one of the following events shall have occurred or is continuing:

(1) the Borrower fails to pay in accordance with the terms of the Loan to Key Vision Agreement any sums thereunder when they fall due except with the consent of the Lender;

(2) the Borrower fails to duly perform or observe any of its obligations or in breach of the covenants under the Loan to Key Vision Agreement except with the consent of the Lender;

(3) any of the representations or warranties by the Borrower contained in the Loan to Key Vision Agreement or made pursuant thereto proves to have been untrue or incorrect when made or deemed to have been made;

(4) any decree or order is made by any competent court adjudging the Borrower insolvent or bankrupt under the insolvency or bankruptcy laws of any jurisdiction to which it may be subject or any order or application is made for the appointment of any liquidator, receiver, trustee, curator or sequestrator or other similar official of the Borrower in respect of all or a substantial part of its assets (save for the purposes of an amalgamation, merger or reconstruction not involving insolvency the terms of which shall have received the prior written approval of the Lender);

(5) the Borrower becomes insolvent, is unable to, or shall admit inability to pay its debts as they fall due; stops payment to creditors generally or ceases or threatens to cease to carry on all of its business or any substantial part thereof; disposes or threatens to dispose of all or a substantial part of its assets; proposes or takes any action for readjustment, rescheduling, deferral or a moratorium of all or part of its debts; proposes or enters into any composition, arrangements with or any assignment for the benefit of its creditors generally;

(6) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the assets of the Borrower and is not discharged or stayed within seven (7) days or a judgment of any court of competent jurisdiction is not discharged within thirty (30) days unless an appeal therefrom has been duly lodged during the said thirty (30) day period and execution is stayed pending appeal;

(7) the Loan to Key Vision Agreement ceases to be in full force and effect or the validity or enforceability thereof or any indebtedness or any other obligation of the Borrower or other obligor respectively thereunder is disaffirmed by or on behalf of the Borrower;

(8) any step is taken by any person for the winding up, liquidation, dissolution or bankruptcy of the Borrower; and

(9) any event occurs or proceeding is taken with respect to the Borrower in any jurisdiction to which it is subject which has an effect equivalent or similar to any of the events mentioned in sub-clauses (4), (5) and (6) above.

Upon the occurrence of an event of default and at any time thereafter, the Lender may by notice in writing to the Borrower declare the Loan and all other monies payable under the Loan to Key Vision Agreement to be forthwith due and payable whereupon the same shall be forthwith due and payable.

THE TRADE MARKS

Pursuant to the Subscription Agreement, before Completion, JapCo may assign all its rights, title, benefits and interests of, in and to the Trade Marks to Key Vision or an entity designated by Key Vision at the nominal consideration of JPY100 on the condition that such assignee of the Trade Marks shall grant an exclusive, irrevocable and non-transferable license to JapCo to use the Trade Marks until 24 May 2023 which is the date of expiry of the registration of the Trade Marks at the nominal license fee of JPY100 immediately after completion of the assignment of the Trade Marks.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in: (i) trading and distribution of liquor and wine; (ii) manufacturing and trading of electric cycle; (iii) investments in listed securities; and (iv) provision of money lending services.

The Group has always been proactive in search of appropriate business opportunities to diversify its business portfolio, income stream and asset base.

Driven by Japan's economic growth following the launch of a series of financial stimuli by the Bank of Japan and the further boosting by the Japan Government of its tourism to increase visitors the non-Golden areas (areas excluding Toyko, Chiba, Osaka and Kyoto) and to increase the repeated visits of international tourists especially from locations such as Greater China and South East Asia, the hotel and resort sector in Japan (including the Hokkaido area) has demonstrated positive development trends and growth momentum.

Niseko is one of the famous ski resort areas in Japan and is well known for its heavy light powder snow and spectacular backcountry. In recent years, Niseko has become a year round resort destination and is experiencing a rapid increase in foreign visitors and interest especially from the Greater China region and South East Asia who have been responsible for popularising the resort area with the skiing/snowboarding community outside Japan. As a result, Niseko's resorts and hotels are very accessible and welcoming to foreign visitors, which they keep busy with plenty of vast, long ski runs, endless powder, and a growing number of after-ski activities. Moiwa, situated in the west of Niseko and is the place where the Resort Towers are located, has the most snow fall in Niseko and is especially popular among beginners.

The Directors, in view of the prospects and the potential momentum of the hotel and resort industry in Japan, consider it is good timing for the Group to seek investment opportunity in the hotel and resort sector in Japan. The Directors believe that the Subscription will provide an attractive and unique opportunity for the Company to be well-positioned and ride-on the growing trend in the hotel and resort sector in Japan.

Subsequent to Completion, it is the intention of the Directors that the current management team of the Target Group would be retained. In view of the extensive experience of the management team, the current performance and earning prospect of the Target Group, the Directors believe that the Subscription will provide the Company with great growth potential, and will significantly boost its business operation and financial performance.

After Completion, the Group will be able to review the long-term performance of the Target Group and the trend of the hotel and resort sector in Japan before the Maturity Date, and can ensure that the investment in the equity interest of the Target Company by exercising the Conversion Rights will be made only if the results of such review are satisfactory.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target was incorporated in BVI and its principal business is investment holdings.

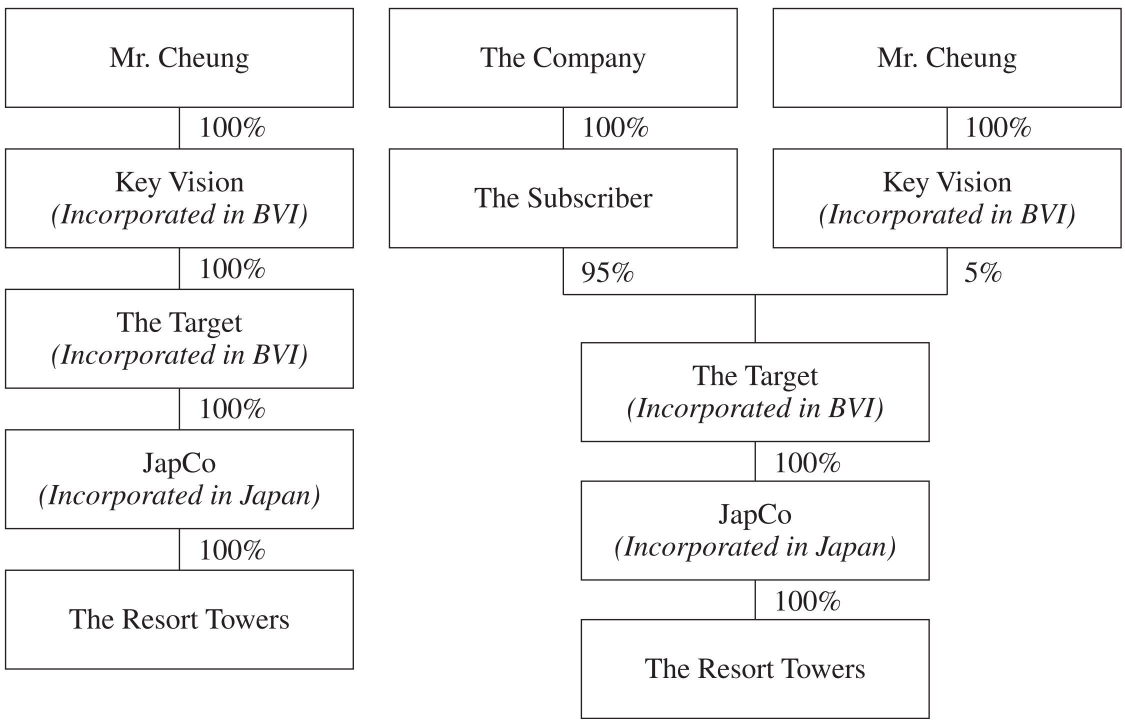
JapCo is a wholly-owned subsidiary of the Target and was incorporated in Japan. Its principal business is the operation of hotel, restaurant and the ancillary entertainment facilities in Niseko, Hokkaido, Japan. JapCo currently owns and operates the Resort Towers which are located in Niseko, Hokkaido, Japan.

1. The group structure of the Target Group

The shareholding structure of the Target Group of (i) as at the Latest Practicable Date; and (ii) upon completion and conversion in full of the Convertible Bonds is set out below:

As at the date of this circular

Upon Completion and conversion in full of the Convertible Bonds



2. Information on the Resort Towers

The key specifications of the Resort Towers are as follows:

Name of the resort:	One Niseko Resort Towers
Location:	453–5, 455–3, and 455–4, Aza-Niseko, Niseko Cho, Abuta-gun, Hokkaido, Japan
No. of guestrooms:	110 units (Retail: 1 unit and Accommodation: 109 units)
No. of storeys:	A 10-storey condominium building and an 11-storey condominium building connected by a 2-storey centre building erected on two of the land lots with a total area of approximately 5,168.56 sq.m.
Site area:	3 parcels of land with a total area of approximately 9,199.56 sq.m.
Gross floor area:	Approximately 11,586.32 sq.m.

Facilities:	A lobby lounge, a gallery cafe, ski lockers rooms, laundry rooms, dressing rooms, onsen, massage and spa rooms, restaurant, cigar bar and back of house offices
Parking lots:	53 lots
Construction completion time:	1991

3. Financial information

The Target Group

Based on Target's Group's unaudited consolidated financial statements for the eight months ended 31 May 2015, prepared in accordance with Hong Kong Financial Reporting Standards, the net liabilities of the Target Group (which includes the MOU Deposit as liability) as at 31 May 2015 were approximately HK$143 million.

Set out below is the financial performance of the Target Group for the two years ended 30 September 2014 and for the eight months ended 31 May 2015, prepared in accordance with Hong Kong Financial Reporting Standards:

	Financial year ended 30 September		**For the eight months ended**
	2013	**2014**	**31 May 2015**
	(approximately HK$' million)	*(approximately HK$' million)*	*(approximately HK$' million)*
Unaudited consolidated (loss)/ profit before taxation	(36.3)	(25.4)	1.7
Unaudited consolidated (loss)/ profit after taxation	(36.3)	(25.4)	1.7

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios exceed 25% but are below 100%, the Subscription constitutes a major transaction on the part of the Company and is subject to reporting, announcement and the shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder and thus no Shareholder will be required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

SGM

A notice convening the SGM to be held at Unit 4202, 42/F, The Center, 99 Queen's Road Central, Hong Kong on Wednesday, 16 December 2015 at 10:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution approving the Subscription.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or at any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM, or at any adjournment thereof (as the case may be) if you so wish.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Directors and Shareholders have material interest in the Subscription Agreement and the transactions contemplated thereunder and no Shareholders are required to abstain from voting at the SGM approving the Subscription Agreement and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except for purely procedural or administrative matters. Accordingly, the proposed resolution will be put to vote by way of poll at the SGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

By order of the Board
Guocang Group Limited
Wong Hin Shek
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 30 June 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the years ended 30 June 2013, 2014 and 2015 respectively. Details of the financial information of the Group for the six months ended 31 December 2014 are disclosed in the interim report of the Company for the six months ended 31 December 2014. These annual reports and interim report are published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.guocanggroup.com).

2. INDEBTEDNESS

As at the close of business on 30 September 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had unsecured and guaranteed corporate bonds with aggregated principal amount of approximately HK$84,500,000 which is interest bearing at 10% per annum; and unsecured and guaranteed corporate bonds with aggregated principal amount of approximately HK$102,000,000 which is interest bearing at 8% per annum. These bonds will mature from March 2017 to April 2018.

Save as disclosed above and apart from the intra-group liabilities and normal trade and bills payables arising in the ordinary course of business, at the close of the business on 30 September 2015, 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 September 2015.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

4. FINANCIAL EFFECT OF THE SUBSCRIPTION

According to applicable Hong Kong Financial Reporting Standards, the Convertible Bonds are initially recognised as available-for-sale investment and derivative financial instrument under non-current assets of the Company's consolidated statement of financial position upon Completion.

Effects on assets and liabilities

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that Completion had taken place on 30 June 2015, there is no impact on the total assets and total liabilities respectively.

Effects on earnings

Except for the interest income to be received by the Company from the Convertible Bonds, there will be no significant financial impact on earnings of the Group upon Completion.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in, (i) manufacturing and trading of electric cycles; (ii) trading and distribution of liquor and wine; (iii) provision of money lending services; and (iv) investments in listed securities.

As disclosed in the annual report of the Group for the financial year ended 30 June 2015, the Group recorded total turnover and profit attributable to Shareholders of approximately HK$49.7 million and HK$12.1 million, respectively.

The demand of high-end liquor products remained at low level for the year ended 30 June 2015 due to the industrial adjustment and a number of frugality policies enforced by the Chinese government. In view of the challenges in high-end liquor market in the PRC, the Group has adjusted its product structure from high-end liquor to wine and other alcoholic beverages and expects the turnover of the liquor and wine business will be steadily improved in coming years. Collaboration with various well-known wine and other alcoholic beverages manufacturers and increasing the publicity are the short-term targets to the Group in relation to the liquor and wine business.

With the expansion of the loan portfolio and loan balance, the Group's money lending business experienced rapid growth during the year ended 30 June 2015. The Group will continue to explore other money lending opportunities under cautious granting loan approach.

In May 2015, the Group has grasped the opportunity in stepping into the green energy industry by acquiring the electric cycles business successfully. Solar powered electric cycle is one of the major products in the newly acquired electric cycle business. The Group will accelerate to promote the solar-powered electric cycles in domestic market, enhance its quality and enrich product models.

Furthermore, the Group planned to diversify its business into construction and operation of compressed natural gas ("**CNG**") stations. On 3 November 2015, the Company entered into a non-binding framework agreement in relation to the possible acquisition of CNG stations business in the PRC. It is expected that the Group will experience a rapid development in clean energy industry together with its related business.

Whilst the Group maintains its core businesses in the aforesaid areas, the Company seeks to enter into the potential momentum and prospects of the hotel and resort industry in Japan in order to diversify its business portfolio and enhance its income stream and asset base. The Directors believe that the Subscription will provide an attractive and unique opportunity for the Company to be well-positioned and ride-on the growing trend in the hotel and resort sector in Japan.

Subsequent to Completion, it is the intention of the Directors that the current management team of the Target Group would be retained. In view of the extensive experience of the management team, the current performance and earning prospects of the Target Group, the Directors believe that the Subscription will provide the Company with great growth potential, and will significantly boost its business operation and financial performance.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 30 June 2015, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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25 November 2015

The Board of Directors
Guocang Group Limited

Dear Sirs,

We set out below our report on the financial information of Integrated Capital Investments Limited (the "Target") and its subsidiary (together, the "Target Group") comprising the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the period from 11 January 2012 (date of incorporation) to 30 September 2012, each of the years ended 30 September 2013 and 2014 and the eight months ended 31 May 2015 (the "Relevant Periods") and the consolidated and company statements of financial position as at 30 September 2012, 2013 and 2014 and 31 May 2015, together with explanatory notes thereto (the "Financial Information"), and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the eight months ended 31 May 2014 (the "Comparative Financial Information"), for inclusion in the circular issued by Guocang Group Limited (the "Company") dated 25 November 2015 (the "Circular") in connection with the Company's proposed subscription of the convertible bonds issued by the Target (the "Proposed Transaction").

The Target was incorporated in the British Virgin Islands (the "BVI") as a limited liability company on 11 January 2012. As at the end of the Relevant Periods, the Target has a direct interest in a subsidiary as set out in Notes 1 and 12 of Section II below. As of the date of this report, no statutory financial statements have been prepared for the Target and its subsidiary as they are not subject to statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation. All companies comprising the Target Group have adopted 30 September as their financial year end date.

For the purpose of this report, the directors of the Target have prepared the Financial Information and the Comparative Financial Information on the basis of preparation set out in note 2 of Section II below in accordance with the accounting policies set out in note 4 of Section II below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), based on the unaudited management accounts of the Target and its subsidiary for each of the Relevant

Periods and for the eight months ended 31 May 2014 (collectively, the "Underlying Financial Statements"), after making such adjustments as considered appropriate by the directors of the Target to comply with HKFRSs.

DIRECTORS' RESPONSIBILITY

The directors of the Target are responsible for the preparation and the true and fair presentation of the Financial Information and the Comparative Financial Information in accordance with the basis of preparation set out in note 2 of Section II below, the accounting policies set out in note 4 of Section II below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and 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 directors of the Target determine is necessary to enable the preparation of the Financial Information and the Comparative Financial Information that are 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.

REPORTING ACCOUNTANT'S RESPONSIBILITY

It is our responsibility to form an opinion and a review conclusion on the Financial Information and the Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon 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 ("HKSAs") issued by HKICPA and have examined and carried out appropriate procedures on the Financial Information in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA.

We have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Comparative Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion on the Comparative Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information prepared on the basis of preparation as set out in note 2 of Section II below and in accordance with the accounting policies set out in note 4 of Section II below gives a true and fair view of the state of affairs of the Target Group and the Target as at 30 September 2012, 2013 and 2014 and 31 May 2015 and of the consolidated results and cash flows of the Target Group for each of the Relevant Periods.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 of Section II below which indicates that the Target Group had net current liabilities of HK$260,925,000 and net liabilities of HK$142,834,000 as at 31 May 2015. These conditions, along with other matters set forth in note 2 of Section II below, indicate the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern.

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Period from 11 January 2012 (date of incorporation) to 30 September 2012	Years ended 30 September 2013	2014	Eight months ended 31 May 2014	2015
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	6	—	12,014	23,360	16,490	19,836
Cost of sales		—	(11,780)	(16,195)	(11,004)	(11,373)
Gross profit		—	234	7,165	5,486	8,463
Other income	7	1	86	1,917	1,614	237
Selling and distribution expenses		—	(673)	(361)	(219)	(145)
Administrative expenses		(3,879)	(13,268)	(11,746)	(8,832)	(5,855)
Finance costs	8	(8,294)	(22,658)	(22,335)	(15,904)	(1,022)
(Loss)/profit before income tax	9	(12,172)	(36,279)	(25,360)	(17,855)	1,678
Income tax expense	10	(6)	(11)	(11)	(7)	(6)
(Loss)/profit for the period/ year attributable to the owner of the Target		(12,178)	(36,290)	(25,371)	(17,862)	1,672
Other comprehensive income, net of tax						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements of foreign operations		1,259	(40,697)	(15,396)	(5,117)	(15,833)
Total comprehensive income for the period/year attributable to the owner of the Target		(10,919)	(76,987)	(40,767)	(22,979)	(14,161)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 30 September			As at 31 May
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*13*	176,408	149,643	134,222	117,904
Intangible asset	*14*	—	393	268	187
		176,408	150,036	134,490	118,091
Current assets					
Inventories	*15*	—	151	116	150
Trade receivables	*16*	—	1,023	1,090	703
Prepayments, deposits and other receivables	*17*	876	572	450	220
Amount due from the ultimate holding company	*21*	—	—	50	50
Restricted bank balances	*18*	23,735	1,037	—	—
Cash and cash equivalents	*18*	2,575	2,212	2,754	1,797
		27,186	4,995	4,460	2,920
Current liabilities					
Trade payables	*19*	261	2,345	1,698	1,113
Accruals, other payables and deposits received	*20*	1,017	445	180,708	180,904
Amounts due to other related parties	*21*	58,829	74,852	85,087	81,806
Interest-bearing other borrowings	*22*	154,400	170	120	12
Income tax payable		6	11	10	10
		214,513	77,823	267,623	263,845
Net current liabilities		(187,327)	(72,828)	(263,163)	(260,925)
Total assets less current liabilities		(10,918)	77,208	(128,673)	(142,834)
Non-current liabilities					
Interest-bearing other borrowings	*22*	—	165,114	—	—
NET LIABILITIES		(10,919)	(87,906)	(128,673)	(142,834)
EQUITY					
Equity attributable to the owner of the Target					
Share capital	*24*	—	—	—	—
Reserves		(10,919)	(87,906)	(128,673)	(142,834)
DEFICIENCY IN ASSETS		(10,919)	(87,906)	(128,673)	(142,834)

STATEMENTS OF FINANCIAL POSITION

		As at 30 September			As at 31 May
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investments in a subsidiary	*12*	58,359	58,359	58,359	58,359
Current assets					
Amount due from the ultimate holding company	*21*	—	—	50	50
Amount due from a subsidiary	*12*	144,212	151,111	154,618	153,385
Restricted bank balances	*18*	2	2	—	—
Cash and cash equivalents	*18*	2,574	828	1,340	45
		146,788	151,941	156,008	153,480
Current liabilities					
Accruals and deposits received	*20*	45	5	180,009	180,003
Amounts due to other related parties	*21*	58,829	74,852	85,087	81,806
Interest-bearing other borrowings	*22*	154,400	—	—	—
		213,274	74,857	265,096	261,809
Net current (liabilities)/assets		(66,486)	77,084	(109,088)	(108,329)
Total assets less current liabilities		(8,127)	135,443	(50,729)	(49,970)
Non-current liabilities					
Interest-bearing other borrowings	*22*	—	164,981	—	—
NET LIABILITIES		(8,127)	(29,538)	(50,729)	(49,970)
EQUITY					
Share capital	*24*	—	—	—	—
Reserves	*25*	(8,127)	(29,538)	(50,729)	(49,970)
DEFICIENCY IN ASSETS		(8,127)	(29,538)	(50,729)	(49,970)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 11 January 2012 (date of incorporation)	—	—	—	—
Loss for the period	—	—	(12,178)	(12,178)
Other comprehensive income:				
Exchange differences arising on translation of financial statements of foreign operations	—	1,259	—	1,259
Total comprehensive income for the period	—	1,259	(12,178)	(10,919)
At 30 September 2012 and 1 October 2012	—	1,259	(12,178)	(10,919)
Loss for the year	—	—	(36,290)	(36,290)
Other comprehensive income:				
Exchange differences arising on translation of financial statements of foreign operations	—	(40,697)	—	(40,697)
Total comprehensive income for the year	—	(40,697)	(36,290)	(76,987)
At 30 September 2013 and 1 October 2013	—	(39,438)	(48,468)	(87,906)
Loss for the year	—	—	(25,371)	(25,371)
Other comprehensive income:				
Exchange differences arising on translation of financial statements of foreign operations	—	(15,396)	—	(15,396)
Total comprehensive income for the year	—	(15,396)	(25,371)	(40,767)

	Share capital *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 30 September 2014 and 1 October 2014	—	(54,834)	(73,839)	(128,673)
Profit for the period	—	—	1,672	1,672
Other comprehensive income:				
Exchange differences arising on translation of financial statements of foreign operations	—	(15,833)	—	(15,833)
Total comprehensive income for the period	—	(15,833)	1,672	(14,161)
At 31 May 2015	—	(70,667)	(72,167)	(142,834)
At 1 October 2013	—	(39,438)	(48,468)	(87,905)
Loss for the period	—	—	(17,862)	(17,862)
Other comprehensive income:				
Exchange differences arising on translation of financial statements of foreign operations	—	(5,117)	—	(5,117)
Total comprehensive income for the period	—	(5,117)	(17,862)	(22,979)
At 31 May 2014 (unaudited)	—	(44,555)	(66,330)	(110,885)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Period from 11 January 2012 (date of incorporation) to 30 September 2012 HK$'000	Years ended 30 September 2013 HK$'000	Years ended 30 September 2014 HK$'000	Eight months ended 31 May 2014 HK$'000 (unaudited)	Eight months ended 31 May 2015 HK$'000
Loss/(profit) before income tax		(12,172)	(36,279)	(25,360)	(17,855)	1,678
Adjustments for:						
Interest income	*7*	(1)	(1)	—	—	—
Interest expenses	*8*	8,294	22,658	22,335	15,904	1,022
Amortisation of intangible asset	*9*	—	84	91	61	53
Depreciation of property, plant and equipment	*9*	39	1,193	1,036	639	682
Operating(loss)/profit before working capital changes		(3,840)	(12,345)	(1,898)	(1,251)	3,435
(Increase)/decrease in inventories		—	(151)	20	(61)	(48)
(Increase)/decrease in trade receivables		—	(1,023)	(172)	163	259
(Increase)/decrease in prepayments, deposits and other receivables		(876)	304	119	273	227
Increase in amount due from the ultimate holding company		—	—	(50)	—	—
Increase/(decrease) in trade payables		261	2,138	(407)	(995)	(386)
Increase/(decrease) in accruals, other payables and deposits received		1,017	(371)	292	1,094	270
Increase in amounts due to other related parties		17	—	—	—	240
Cash (used in)/generated from operations		(3,421)	(11,448)	(2,096)	(777)	3,997
Income tax paid		—	(6)	(12)	(11)	(6)
Net cash (used in)/generated from operating activities		(3,421)	(11,454)	(2,108)	(788)	3,991

	Notes	Period from 11 January 2012 (date of incorporation) to 30 September 2012	Years ended 30 September 2013	2014	Eight months ended 31 May 2014	2015
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cash flows from investing activities						
Interest received		1	1	—	—	—
Purchases of property, plant and equipment		(174,715)	(11,166)	(919)	(33)	(49)
Acquisition of intangible asset		—	(504)	—	—	—
(Increase)/decrease in restricted bank balances		(23,735)	19,043	997	(768)	—
Net cash (used in)/generated from investing activities		(198,449)	7,374	78	(801)	(49)
Cash flows from financing activities						
Interest paid		—	(22,425)	(28,150)	(298)	(3,543)
Proceeds of other borrowings		146,560	11,371	4,860	3,472	—
Proceed from deposit in respect of the Proposed Transaction		—	—	180,000	—	—
Repayment of other borrowings		—	(132)	(162,955)	(3,118)	(99)
Increase/(decrease) in amounts due to other related parties		58,358	15,000	9,000	—	(1,000)
Net cash generated from/(used in) financing activities		204,918	3,814	2,755	56	(4,642)
Net increase/(decrease) in cash and cash equivalents		3,048	(266)	725	(1,533)	(700)
Cash and cash equivalents at beginning of period/year		—	2,575	2,212	2,212	2,754
Effect of foreign exchange rates, net		(473)	(97)	(183)	(41)	(257)
Cash and cash equivalents at end of period/year		2,575	2,212	2,754	638	1,797

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target was incorporated in the BVI on 11 January 2012 with limited liability. The address of the Target's registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI.

The principal activity of the Target is investment holding. The Target invests in a hotel property by entering into a Japanese tokumei kumiai arrangement (the "TK arrangement") on 30 April 2012 as a tokumei kumiai investor ("TK investor") with its wholly-owned Japan-incorporated subsidiary, Cambridge Venture Partners Kabushiki Kaisha ("JapCo"), which acts as the tokumei kumiai operator ("TK operator") and operates as the property holding company. Such TK arrangement is a common method of investing and holding real estate in Japan. The relationship between the TK operator and the TK investor is governed by the tokumei kumiai agreement ("TK agreement"), whereby the TK investor provides funds to the TK operator in return for income derived from the investment in the property held by the TK operator (the "TK business").

As at the end of each of the Relevant Periods, the Target had entered into TK agreement with one Japanese TK operator, being JapCo. Under the TK agreement, the net income of the TK business, comprising principally the income generated from the property holding business, will be passed up to the Target, subject to certain approval requirements imposed by lenders of the Target. The Target, which is also a sole shareholder of JapCo, is entitled to the entire profits and losses of such business. The Target is, therefore, exposed to the majority of risks and rewards from its agreement with the TK operator and the underlying property holding business.

At the date of this report, the Target directly holds 100% equity interest in JapCo, which was incorporated in Japan with limited liability on 17 October 2011 and is engaged in the holding and operation of the hotel properties in Japan. In the opinion of the directors of the Target, the ultimate parent of the Target is Key Vision Holdings Limited, which was incorporated in the BVI and is wholly and beneficially owned by Mr. Cheung Leung Hong ("Mr. Cheung").

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the accounting policies set out in note 4 below which conform to HKFRSs, which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The Financial Information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 5 below.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Target and all values are rounded to the nearest thousand except when otherwise indicated.

The Target Group had net current liabilities of HK$260,925,000 and net liabilities of HK$142,834,000 at 31 May 2015. These conditions indicate that there is a material uncertainty that may cast significant doubt on the Target Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this, the directors of the Target have prepared the Underlying Financial Statements on a going concern basis as the Target Group, after completion of the Proposed Transaction, is expected to have adequate funds to meet in full its financial obligations as they fall due within the next twelve months from 31 May 2015.

The Proposed Transaction is conditional upon the satisfaction or waiver of a number of conditions precedent, one of which is the approval by the shareholders of the Company. Notwithstanding this, the directors of the Target consider that it would be appropriate for the Financial Information to be prepared on a going concern basis, even if the Proposed Transaction might fail to be completed, due to the consideration that Mr. Cheung has agreed not to demand the repayment of the shareholder's loan until the Target Group is in a position to repay and has agreed to provide adequate funds to enable the Target Group to meet in full its financial obligations as they fall due within the next twelve months from 31 May 2015.

Should the Target Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Target Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The Financial Information does not include any of these adjustments.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has adopted all HKFRSs issued by the HKICPA which are effective for annual period beginning on 1 October 2014 consistently throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new or amended HKFRSs that have been issued but are not yet effective and are potentially relevant to the Target Group, and have not been adopted early by the Target Group.

HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Target Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The Financial Information incorporates the financial statements of the Target and its subsidiary for each of the Relevant Periods.

All intra-group transactions, balances and unrealised gains and losses on transactions within the Target Group are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Target is able to exercise control. The Target controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target's statement of financial position, investments in a subsidiary are stated at cost less impairment loss, if any.

4.3 Foreign currencies

Transactions entered into by group entities in currencies other than the functional currency (i.e. the currency of the primary economic environment in which it operates) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Target Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	40 years
Motor vehicles	3 to 6 years
Equipment, furniture and fixtures	3 to 15 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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 year in which the item is derecognised.

4.5 Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation on computer software is provided on a straight-line basis over its estimated useful life of 5 years.

The amortisation expense is recognised in profit or loss and included in administrative expenses.

4.6 Impairment of non-financial assets

At the end of each of the Relevant Periods, the Target Group reviews the carrying amounts of the property, plant and equipment, intangible asset and investments in a subsidiary 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 the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4.7 Financial instruments

(i) Financial assets

The Target Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(ii) Impairment loss on financial assets

The Target Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including interest-bearing other borrowings, trade payables, accruals, other payables and deposits received and amounts due to other related parties are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) 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 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, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4.9 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.11 Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts, consumption tax and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

(a) Hotel revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(b) Interest income is recognised as interest accrues (using effective interest method).

4.12 Retirement benefit costs and short term employee benefits

Defined contribution plan

The Target Group participates in various defined contribution plans administered by the relevant authorities or third parties, where appropriate, for its employees. The Target Group is required to pay monthly contributions to these plans at certain percentages and at relevant portion of the payroll of these employees to the pension plans to fund the benefits. The Target Group has no further obligation for post-retirement benefits beyond the contributions made. The relevant authorities undertake to assume the retirement benefit obligation payable to these existing and future retired employees under these plans.

The contributions are charged to profit or loss as they become payable in accordance with the rules of the respective plan or schemes.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each of the Relevant Periods.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.13 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Target 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4.14 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.15 Related parties

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

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

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

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

(i) The entity and the Target 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 Target Group or an entity related to the Target 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; and

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of receivables

The Target Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgment. A considerable amount of judgment is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtors. Management will reassess the provision at the end of each of the reporting period. If the financial conditions of the customers or debtors of the Target Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

(ii) Useful lives of items of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. Management revises the depreciation charge where useful lives are different to those previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Provision for tax

The Target Group is mainly subject to various taxes in Japan including Japan corporate income taxes, consumption tax and withholding income tax. Significant judgment is required in determining the amount of the provision for taxes and the timing of related taxes. The Target Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

6. REVENUE AND SEGMENT INFORMATION

The Target Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Target Group for their decisions about resources allocation to the Target Group's business components and for their review of the performance of those components.

For the Relevant Periods, the executive directors regularly review revenue analysis by room rentals, food and beverage sales and rendering of ancillary services. Other than the revenue analysis, no operating results, profit or loss information and other discrete financial information is provided to the directors for the assessment of performance of the respective services provided. Hence, the Target Group's operation is regarded as a single operating segment.

	Period from 11 January 2012 (date of incorporation) to 30 September	Years ended 30 September		Eight months ended 31 May	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Room rentals	—	8,503	17,772	12,859	15,967
Food and beverage sales	—	3,311	5,204	3,379	3,675
Rendering of ancillary services	—	200	384	252	194
	—	12,014	23,360	16,490	19,836

As substantially all of the Target Group's revenue from external customers during each of the Relevant Periods were attributable to Japan based on the location in which the activities of the Target Group are derived, and substantially all of the Target Group's identifiable non-current assets at the end of the respective reporting periods are principally located in Japan, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

The Target Group did not have a concentration of reliance on any single customer during the Relevant Periods.

7. OTHER INCOME

	Period from 11 January 2012 (date of incorporation) to 30 September	Years ended 30 September		Eight months ended 31 May	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income on bank balances	1	1	—	—	—
Commission income	—	85	202	182	237
Compensation from insurance claims	—	—	1,715	1,432	—
	1	86	1,917	1,614	237

8. FINANCE COSTS

	Period from 11 January 2012 (date of incorporation) to 30 September 2012	Years ended 30 September 2013	2014	Eight months ended 31 May 2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest charges on borrowings wholly repayable within five years:					
Other loans	8,294	22,644	22,324	15,896	1,020
Finance lease charges	—	14	11	8	2
	8,294	22,658	22,335	15,904	1,022

9. LOSS/(PROFIT) BEFORE INCOME TAX

	Period from 11 January 2012 (date of incorporation) to 30 September 2012	Years ended 30 September 2013	2014	Eight months ended 31 May 2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cost of inventories consumed in operations	—	1,085	1,760	1,187	1,172
Depreciation of property, plant and equipment	39	1,193	1,036	639	682
Amortisation of intangible asset	—	84	91	61	53
Minimum lease payments under operating leases	—	70	58	39	106
Staff costs (including directors' emoluments *(note 11)*)					
— Salaries and bonuses	—	4,721	5,489	3,600	3,683
— Pension scheme contributions — defined contribution plan	—	397	451	279	316
— Other benefits	—	—	54	18	96
	—	5,118	5,994	3,897	4,095

10. INCOME TAX EXPENSE

	Period from 11 January 2012 (date of incorporation) to 30 September 2012	Years ended 30 September 2013	2014	Eight months ended 31 May 2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax:					
— Japan corporate income tax	6	11	11	7	6

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Target Group are domiciled and operate. Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any taxation under this jurisdiction during the Relevant Periods.

The Target is a foreign corporation and non-resident individual which does not have a permanent establishment in Japan. The profit of the TK business which is distributed to the Target after deducting any accumulated losses in prior years is only subject to 20.42% withholding income tax in Japan. The withholding tax is the final Japanese tax on such distributed TK profits and such profits are not subject to any other Japanese taxes. There is no withholding tax paid or payable for each of the Relevant Periods as there is no distribution of profits by JapCo under the TK business.

JapCo is subject to prefectural and municipal inhabitant taxes on a per capita basis in accordance with the relevant Japan tax regulations for each of the Relevant Periods.

A reconciliation of income tax expense and accounting (loss)/profit at applicable tax rate is as follows:

	Period from 11 January 2012 (date of incorporation) to 30 September 2012	Years ended 30 September 2013	2014	Eight months ended 31 May 2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before income tax	(12,172)	(36,279)	(25,360)	(17,855)	1,678
Tax calculated at the rates applicable to losses/profits in the tax jurisdictions concerned	(1,513)	(3,852)	(3,716)	(2,660)	(154)
Effect of non-taxable and non-deductible items, net	1,513	3,852	3,716	2,660	154
Others	6	11	11	7	6
Income tax expense	6	11	11	7	6

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The directors of the Target during the Relevant Periods are Mr. Cheung (appointed on 7 February 2012), Mr. Andrew Alan Fox (appointed on 27 March 2012) ("Mr. Fox"), Mr. Tan Yi Feng, Michael (appointed on 21 February 2012 and resigned on 9 September 2013) ("Mr. Tan") and Mr. Chong Tin Lung, Benny (appointed on 30 April 2012 and resigned on 5 September 2014) ("Mr. Chong")*. No emolument was paid or payable to any of the director during the Relevant Periods.

* Pursuant to a credit agreement signed between the Target and a BVI incorporated counterparty (the "Lender") in which the Target obtained credit facility as detailed in note 23, Mr. Chong, being a key management personnel of the Lender, is required to be appointed as a director of the Target for monitoring the Target Group's business operations. Mr. Chong has resigned as the director of the Target following the full repayment of loans by the Target and expiry of the credit facility.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the Relevant Periods did not include any director of the Target and their emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals for the Relevant Periods, whose emoluments fell within the band of nil to HK$1,000,000, are as follows:

	Period from 11 January 2012 (date of incorporation) to 30 September 2012	Years ended 30 September 2013	Years ended 30 September 2014	Eight months ended 31 May 2014	Eight months ended 31 May 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and other benefits in kind	—	2,397	1,860	1,312	1,298
Pension scheme contributions	—	129	87	64	68
	—	2,526	1,947	1,376	1,366

During the Relevant Periods, no emolument was paid by the Target Group to the directors and the five highest paid individuals as an inducement to join or upon joining the Target Group, or as compensation for loss of office.

12. INTERESTS IN A SUBSIDIARY — TARGET

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	1	1	1	1
Contribution on TK business	58,358	58,358	58,358	58,358
	58,359	58,359	58,359	58,359

Details of the Target's directly held subsidiary and the TK business as at the end of each of the Relevant Periods are explained in Note 1.

The balance with a subsidiary is unsecured, interest-free and repayable on demand. Included in the balance was a loan receivable of approximately HK$144,097,000, HK$148,959,000, HK$152,336,000 and HK$152,562,000 as at 30 September 2012, 2013 and 2014 and 31 May 2015 respectively, which are unsecured, interest-bearing in the range of 2% to 20% per annum and repayable on demand.

The directors of the Target had assessed for impairment in value of interests in a subsidiary. In the opinion of the directors, no allowance for impairment in value of interests in a subsidiary is required.

The issued shares of the subsidiary were pledged for other borrowings as at 30 September 2012 and 2013 and for deposit received in respect of the Proposed Transaction as at 30 September 2014 and 31 May 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Period from 11 January 2012 (date of incorporation) to 30 September 2012						
Additions	163,888	—	—	379	10,448	174,715
Depreciation	—	—	—	(39)	—	(39)
Exchange realignment	1,626	—	—	2	104	1,732
Closing net book amount	165,514	—	—	342	10,552	176,408
At 30 September 2012 and 1 October 2012						
Cost	165,514	—	—	381	10,552	176,447
Accumulated depreciation	—	—	—	(39)	—	(39)
Net book amount	165,514	—	—	342	10,552	176,408
Year ended 30 September 2013						
Opening net book amount	165,514	—	—	342	10,552	176,408
Additions	—	106	2,179	433	8,903	11,621
Transfers	—	17,830	—	—	(17,830)	—
Depreciation	—	(368)	(584)	(241)	—	(1,193)
Exchange realignment	(34,284)	(1,104)	(99)	(81)	(1,625)	(37,193)
Closing net book amount	131,230	16,464	1,496	453	—	149,643
At 30 September 2013 and 1 October 2013						
Cost	131,230	16,832	2,080	733	—	150,875
Accumulated depreciation	—	(368)	(584)	(280)	—	(1,232)
Net book amount	131,230	16,464	1,496	453	—	149,643
Year ended 30 September 2014						
Opening net book amount	131,230	16,464	1,496	453	—	149,643
Additions	—	—	919	—	—	919
Depreciation	—	(404)	(451)	(181)	—	(1,036)
Exchange realignment	(13,423)	(1,658)	(188)	(35)	—	(15,304)
Closing net book amount	117,807	14,402	1,776	237	—	134,222

	Freehold land	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2014 and 1 October 2014						
Cost	117,807	15,174	2,811	698	—	136,490
Accumulated depreciation	—	(772)	(1,035)	(461)	—	(2,268)
Net book amount	117,807	14,402	1,776	237	—	134,222
Eight months ended 31 May 2015						
Opening net book amount	117,807	14,402	1,776	237	—	134,222
Additions	—	—	49	—	—	49
Depreciation	—	(234)	(354)	(94)	—	(682)
Exchange realignment	(13,796)	(1,674)	(191)	(24)	—	(15,685)
Closing net book amount	104,011	12,494	1,280	119	—	117,904
At 31 May 2015						
Cost	104,011	13,500	2,669	674	—	120,854
Accumulated depreciation	—	(1,006)	(1,389)	(555)	—	(2,950)
Net book amount	104,011	12,494	1,280	119	—	117,904

The freehold land is situated in Japan.

All the property, plant and equipment has been pledged for the Target's other borrowings as at 30 September 2012 and 2013 (note 22) and the deposit received in respect of the Proposed Transaction as at 30 September 2014 and 31 May 2015 (note 20).

The net carrying amount of the Target Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles were as follows:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Motor vehicles	—	294	142	65

14. INTANGIBLE ASSET

	Computer software			
	Period from 11 January 2012 (date of incorporation) to 30 September	Years ended 30 September		Eight months ended 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of period/year				
Cost	—	—	477	443
Accumulated amortisation	—	—	(84)	(175)
Net book amount	—	—	393	268
For the period/year				
Opening net book amount	—	—	393	268
Additions	—	504	—	—
Amortisation	—	(84)	(91)	(53)
Exchange realignment	—	(27)	(34)	(28)
Closing net book amount	—	393	268	187
At end of period/year				
Cost	—	477	443	390
Accumulated amortisation	—	(84)	(175)	(203)
Net book amount	—	393	268	187

15. INVENTORIES

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Food and beverage and consumables	—	151	116	150

16. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are recognised at their original invoiced amounts which represent their fair values at initial recognition. The credit period generally ranges from 30 to 60 days.

Ageing analysis of trade receivables as at the end of each of the Relevant Periods is as follows:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	—	873	1,004	619
1 to 2 months	—	150	78	44
2 to 3 months	—	—	—	32
Over 3 months	—	—	8	8
	—	1,023	1,090	703

At the end of each of the Relevant Periods, the Target Group reviews receivables for evidence of impairment on both an individual and collective basis. No impairment loss on trade receivables was recognised during the Relevant Periods.

Ageing analysis of trade receivables that were past due but not considered impaired is as follows:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	—	1,023	1,082	694
Not more than 3 months past due	—	—	4	2
More than 3 months but less than 12 months past due	—	—	4	7
	—	1,023	1,090	703

Receivables which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Target Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Target Group does not hold any collateral over these balances.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	876	546	424	113
Deposits	—	18	16	72
Other receivables	—	8	10	35
	876	572	450	220

18. RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at banks and in hand. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Pursuant to a credit agreement signed with the Lender in April 2012, the Target Group is required to hold certain of its bank accounts jointly with the Lender with certain restrictions imposed by the Lender and approval required for withdrawals up to a certain limit. These bank accounts have been released from restrictions following the full repayment of borrowings to the Lender in September 2014.

19. TRADE PAYABLES

Trade payables are non-interest bearing and the credit period is 60 days.

Ageing analysis of trade payables as at the end of each of the Relevant Periods is as follows:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	261	2,232	1,342	1,080
1 to 2 months	—	76	89	14
2 to 6 months	—	37	267	19
	261	2,345	1,698	1,113

20. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

Target Group

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	55	260	358	304
Other payables	962	27	281	556
Deposits	—	158	69	44
Deposit received in respect of the Proposed Transaction *(note)*	—	—	180,000	180,000
	1,017	445	180,708	180,904

Target

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	45	5	9	3
Deposit received in respect of the Proposed Transaction *(note)*	—	—	180,000	180,000
	45	5	180,009	180,003

Note: As disclosed in the announcement of the Company dated 5 September 2014, a subsidiary of the Company paid a deposit of HK$180 million to the Target pursuant to the signing of a memorandum of understanding in respect of the Proposed Transaction.

21. BALANCES WITH ULTIMATE HOLDING COMPANY/OTHER RELATED PARTIES — TARGET GROUP AND TARGET

The balance with the ultimate holding company is unsecured, interest-free and repayable on demand. The balances with other related parties as at the respective reporting period end were as follows:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to the controlling equity holder				
Mr. Cheung	23,542	74,852	85,087	81,806
Amounts due to directors				
Mr. Fox	23,525	—	—	—
Mr. Tan	11,762	—	—	—
	35,287	—	—	—
	58,829	74,852	85,087	81,806

Other than the amounts due to Mr. Cheung of HK$17,000, HK$17,000, HK$17,000 and HK$240,000 as at 30 September 2012, 2013 and 2014 and 31 May 2015 respectively, which are unsecured, interest-free and repayable on demand, all the balances with other related parties represented loans payables which are unsecured, interest-bearing at fixed rate in the range of 2% to 5% per annum and repayable on demand. All the loans payable to Mr. Fox and Mr. Tan were taken up by Mr. Cheung in September 2013.

22. INTEREST-BEARING OTHER BORROWINGS

Target Group

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Finance lease payables *(note 23)*	—	170	120	12
Other borrowings, secured — repayable within one year	154,400	—	—	—
	154,400	170	120	12
Non-current				
Finance lease payables *(note 23)*	—	133	—	—
Other borrowings, secured — repayable in the second year	—	164,981	—	—
	—	165,114	—	—

Target

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Other borrowings, secured — repayable within one year	154,400	—	—	—
Non-current				
Other borrowings, secured — repayable in the second year	—	164,981	—	—

In April 2012, the Target obtained from the Lender a credit facility of HK$150 million with fixed interest rate of 14% per annum. A further credit facility of HK$22 million was granted by the Lender in September 2013 with fixed interest rate of 20% per annum. The total amounts utilised under these lines of credit were HK$146 million and HK$156 million at 30 September 2012 and 2013 respectively.

The Target's credit facilities and its other borrowings were secured by the pledge of (i) the equity interests in the Target and its subsidiary; and (ii) all of the property, plant and equipment of the Target Group (note 13).

All the loan balances with the Lender were fully settled in September 2014 following the receipt of the deposit of HK$180 million relating to the Proposed Transaction. The deposit is secured by the same pledged items as mentioned in the above paragraph.

23. FINANCE LEASE PAYABLES

The Target Group leases certain of its motor vehicles for business use. These leases are classified as finance leases and have remaining lease terms of less than 21 months, 9 months and 1 month as at 30 September 2013 and 2014 and 31 May 2015 respectively. None of the leases include contingent rentals.

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:				
Within one year	—	181	122	12
One to two years	—	136	—	—
Total minimum finance lease payments	—	317	122	12
Future finance charges	—	(14)	(2)	—
Total net finance lease payables	—	303	120	12
Amounts payable:				
Within one year	—	170	120	12
One to two years	—	133	—	—
Total present value of minimum lease payments:	—	303	120	12
Less: Portion classified as current liabilities	—	(170)	(120)	(12)
Non-current portion	—	133	—	—

24. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares *HK$'000*
Authorised:		
Ordinary shares of US$1 each		
At 11 January 2012 (date of incorporation)	10	—
Increase in share capital	49,990	390
At 30 September 2012, 30 September 2013, 30 September 2014 and 31 May 2015	50,000	390
Issued and fully paid:		
Ordinary shares of US$1 each		
At 11 January 2012 (date of incorporation)	1	—
Issuance of shares at par	9	—
At 30 September 2012 and 2013 and 1 October 2013	10	—
Issuance of shares at par	20	—
At 30 September 2014 and 31 May 2015	30	—

The issued shares of the Target were pledged for other borrowings as at 30 September 2012 and 2013 and for deposits in respect of the Proposed Transaction as at 30 September 2014 and 31 May 2015.

25. RESERVES

The changes in the reserves of the Target during the Relevant Periods were as follows:

	Accumulated losses *HK$'000*
At 11 January 2012 (date of incorporation)	—
Loss and total comprehensive income for the period	(8,127)
At 30 September 2012 and 1 October 2012	(8,127)
Loss and total comprehensive income for the year	(21,411)
At 30 September 2013 and 1 October 2013	(29,538)
Loss and total comprehensive income for the year	(21,191)
At 30 September 2014 and 1 October 2014	(50,729)
Profit and total comprehensive income for the period	759
At 31 May 2015	(49,970)
At 1 October 2013	(29,538)
Loss and total comprehensive income for the period	(15,361)
At 31 May 2014 (unaudited)	(44,899)

26. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in this report, the following transactions were carried out by the Target Group with related parties during the Relevant Periods.

(i) Related party transactions

	Period from 11 January 2012 (date of incorporation) to 30 September	Years ended 30 September		Eight months ended 31 May	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest expense in respect of amounts due to other related parties	454	1,023	1,235	807	1,020
Acquisition of freehold land *(note)*	157,601	—	—	—	—

Note: The freehold land was acquired from a related company of which Mr. Fox was also a director.

In the opinion of the directors of the Target, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Target Group and respective related parties.

(ii) Key management personnel compensation

Key management includes directors and the senior management of the Target Group. The compensation paid or payable to key management for employee services is shown below:

	Period from 11 January 2012 (date of incorporation) to 30 September	Years ended 30 September		Eight months ended 31 May	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	—	1,096	1,148	767	1,100
Pension scheme contributions — defined contribution plan	—	29	32	21	56
	—	1,125	1,180	788	1,156

27. COMMITMENTS

(i) Capital commitments

The Target Group had the following capital commitments:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for property, plant and equipment	624	—	—	—

(ii) Operating leases commitments

As lessee

The Target Group leases certain of its office buildings and office equipment under operating lease arrangements. Leases for office and office equipment are negotiated for terms of two years and five years respectively.

At the end of each reporting period, the Target Group has future minimum rental payable under non-cancellable operating lease falling due as follows:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	62	56	198
In the second to fifth years, inclusive	—	201	125	279
	—	263	181	477

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the respective reporting dates are as follows:

Target Group

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables				
— Trade receivables	—	1,023	1,090	703
— Deposits and other receivables	—	26	26	107
— Amount due from the ultimate holding company	—	—	50	50
— Restricted bank balances	23,735	1,037	—	—
— Cash and cash equivalents	2,575	2,212	2,754	1,797
	26,310	4,298	3,920	2,657
Financial liabilities				
At amortised cost				
— Trade payables	261	2,345	1,698	1,113
— Accruals, other payables and deposits received	1,017	287	180,639	180,860
— Amounts due to other related parties	58,829	74,852	85,087	81,806
— Interest-bearing other borrowings	154,400	165,284	120	12
	214,507	242,768	267,544	263,791

Target

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables				
— Amount due from the ultimate holding company	—	—	50	50
— Amount due from a subsidiary	144,212	151,111	154,618	153,385
— Restricted bank balances	2	2	—	—
— Cash and cash equivalents	2,574	828	1,340	45
	146,788	151,941	156,008	153,480
Financial liabilities				
At amortised cost				
— Accruals and deposit received	45	5	180,009	180,003
— Amounts due to other related parties	58,829	74,852	85,087	81,806
— Interest-bearing other borrowings	154,400	164,981	—	—
	213,274	239,838	265,096	261,809

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Target Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. The directors of the Target Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on a timely and effective manner. The most significant risks to which the Target Group is exposed to are described below.

(a) Foreign currency risk

Foreign currency risk refers to risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Target Group's exposure to the risk of changes in foreign exchange rates relates primarily to the inter-company balances of the group entity denominated in HK$, which is different from the functional currency of the group entity (JPY).

The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Target Group's total comprehensive income for the Relevant Periods and equity in response to a reasonably possible change in the JPY exchange rate. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Target Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial period/year with all other variables held constant throughout the period/year.

	Period from 11 January 2012 (date of incorporation) to 30 September	Years ended 30 September		Eight months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
JPY to HK$					
Appreciation by 5%	7,211	7,556	7,731	7,621	7,669
Depreciation by 5%	(7,211)	(7,556)	(7,731)	(7,621)	(7,669)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Target Group's exposure to the risk of changes in market interest rates relates primarily to bank deposits which were bearing floating interest rate. The loans from directors, other loans and finance lease payables were bearing fixed interest rates. The Target Group has minimal bank deposits that expose the Target Group to significant interest rate risk. Interest income for the periods presented was insignificant.

The Target Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary. The Target Group has not used any financial instruments to hedge potential fluctuations in interest rates.

(c) Credit risk

The Target Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business and the advances to other counterparties.

The Target Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Target Group's policy is to deal only with creditworthy counterparties. The Target Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Target Group's financial assets are secured by collateral or other credit enhancement.

The Target Group has no significant concentrations of credit risk. It has policies in place to ensure that sales to wholesalers are made to customers with an appropriate credit history. Sales to retail customers are made via credit cards to a significant extent. Sales to corporate customers are made to customers with good credit history. The Target Group has policies that limit the amount of global credit exposure to any customer.

Majority of the bank deposits are placed with banks with sound credit ratings to mitigate the risk. The Target Group does not hold any collateral as security.

(d) Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The cash management of all operating entities is centralised, including the raising of funds to cover expected cash demands. The Target Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from related parties or major financial institutions to meet its liquidity requirements in the short and longer terms.

The basis of preparing the Financial Information under the going concern assumption has been discussed in note 2.

The tables below analyses the Target Group's financial liabilities into relevant maturity grouping based on the remaining contractual maturities at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Target Group

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	On demand or less than one year *HK$'000*	Between one year and two years *HK$'000*
At 30 September 2012				
— Trade payables	261	261	261	—
— Accruals and other payables	1,017	1,017	1,017	—
— Amounts due to other related parties	58,829	58,829	58,829	—
— Interest-bearing other borrowings	154,400	161,590	161,590	—
	214,507	221,697	221,697	—
At 30 September 2013				
— Trade payables	2,345	2,345	2,345	—
— Accruals and other payables	287	287	287	—
— Amounts due to other related parties	74,852	74,852	74,852	—
— Interest-bearing other borrowings	165,284	183,793	182	183,611
	242,768	261,277	77,666	183,611
At 30 September 2014				
— Trade payables	1,698	1,698	1,698	—
— Accruals, other payables and deposits received	180,639	180,639	180,639	—
— Amounts due to other related parties	85,087	85,087	85,087	—
— Interest-bearing other borrowings	120	122	122	—
	267,544	267,546	267,546	—
At 31 May 2015				
— Trade payables	1,113	1,113	1,113	—
— Accruals, other payables and deposits received	180,860	180,860	180,860	—
— Amounts due to other related parties	81,806	81,806	81,806	—
— Interest-bearing other borrowings	12	12	12	—
	263,791	263,791	263,791	—

Target

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	On demand or less than one year *HK$'000*	Between one year and two years *HK$'000*
At 30 September 2012				
— Accruals	45	45	45	—
— Amounts due to other related parties	58,829	58,829	58,829	—
— Interest-bearing other borrowings	154,400	161,590	161,590	—
	213,274	220,464	220,464	—
At 30 September 2013				
— Accruals	5	5	5	—
— Amounts due to other related parties	74,852	74,852	74,852	—
— Interest-bearing other borrowings	164,981	183,475	—	183,475
	239,838	258,332	74,857	183,475
At 30 September 2014				
— Accruals and deposit received	180,009	180,009	180,009	—
— Amounts due to other related parties	85,087	85,087	85,087	—
	265,096	265,096	265,096	—
At 31 May 2015				
— Accruals and deposit received	180,003	180,003	180,003	—
— Amounts due to other related parties	81,806	81,806	81,806	—
	261,809	261,809	261,809	—

(e) Fair value measurements

The fair values of trade receivables, deposits and other receivables, amounts due from a subsidiary and the ultimate holding company, restricted bank balances, cash and cash equivalents, trade payables, accruals, other payables and deposits received, current portion of interest-bearing other borrowings and amounts due to other related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing other borrowings have been calculated by discounting the expected future cash flows using the rates currently available for instruments on similar terms, credit risk and remaining maturities.

30. CAPITAL MANAGEMENT

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Target Group's stability and growth. The Target Group relies on the financial assistance from Mr. Cheung, who has agreed to financially support the Target Group with details set out in note 2 to enable the Target Group to meet in full its financial obligations as they fall due for the foreseeable future.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Target Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including interest-bearing other borrowings, amounts due to other related parties and deposit received in respect of the Proposed Transaction) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the Financial Information plus net debt.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 30 September			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowings:				
— Interest-bearing other borrowings	154,400	165,284	120	12
— Amounts due to other related parties	58,829	74,852	85,087	81,806
— Deposit received in respect of the Proposed Transaction	—	—	180,000	180,000
	213,229	240,136	265,207	261,818
Less: Cash and cash equivalents	(2,575)	(2,212)	(2,754)	(1,797)
Net debt	210,654	237,924	262,453	260,021
Total equity	(10,919)	(87,906)	(128,673)	(142,834)
Total capital	199,735	150,018	133,780	117,187
Gearing ratio	105.5%	158.6%	196.2%	221.9%

31. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Target or the Target Group after 31 May 2015.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target and its subsidiary in respect of any period subsequent to 31 May 2015.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

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

BUSINESS AND FINANCIAL REVIEW

For the period ended 30 September 2012, the Target Group had not recorded any turnover and loss attributable to the owner of the Target was approximately HK$12,178,000. It mainly comprised of interest incurred on the other loan borrowed.

For the year ended 30 September 2013, the Target Group recorded turnover of approximately HK$12,014,000 and loss attributable to the owner of the Target of approximately HK$36,290,000. The increase in loss was mainly due to the increase of the interest incurred on the other loan borrowed and administrative expenses followed by the commencement of the hotel operation.

For the year ended 30 September 2014, the Target Group recorded turnover of approximately HK$23,360,000 and loss attributable to the owner of the Target of approximately HK$25,371,000. With the increase of hotel room occupancy and gross profit, the loss for the year ended 30 September 2014 decreased compared with the loss for the year ended 30 September 2013.

For the eight months ended 31 May 2014, the Target Group recorded turnover of approximately HK$16,490,000 and loss attributable to the owner of the Target of approximately HK$17,862,000.

For the eight months ended 31 May 2015, the Target Group recorded turnover of approximately HK$19,836,000 and profit attributable to the owner of the Target of approximately HK$1,672,000.

SEGMENT INFORMATION

Detailed segment information in respect of the Target Group's revenue for the three years ended 30 September 2012, 2013 and 2014 and the eight months ended 31 May 2014 and 2015 is shown in note 6 to the Financial Information set out in Appendix II of this circular.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$203,594,000, HK$214,513,000 and HK$10,919,000 respectively. As at 30 September 2012, the Target had other borrowing with fixed interest of 14% per annum of approximately HK$154,400,000 repayable within one year.

As at 30 September 2013, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$155,031,000, HK$242,937,000 and HK$87,906,000 respectively. As at 30 September 2013, the Target had other borrowings with fixed interest of 20% per annum of approximately HK$164,981,000 repayable in the second year.

As at 30 September 2014, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$138,950,000, HK$267,623,000 and HK$128,673,000 respectively. As at 30 September 2014, the Target had no interest-bearing borrowing.

As at 31 May 2015, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$121,011,000, HK$263,845,000 and HK$142,834,000 respectively. As at 31 May 2015, the Target had no interest-bearing borrowing.

As the Target Group had net liabilities as at 30 September 2012, 2013 and 2014 and 31 May 2015, no gearing ratio is calculated.

CAPITAL STRUCTURE

As at 30 September 2012 and 2013, the Target had 10 issued shares of US$1 each.

As at 30 September 2014 and 31 May 2015, the Target had 30 issued shares of US$1 each.

CAPITAL COMMITMENT

As at 30 September 2012, 2013 and 2014 and 31 May 2015, the Target Group had no material capital commitment.

FOREIGN CURRENCY RISK

Most of assets and liabilities of the Target Group are denominated in HK$ and JPY, which are the functional currency of the respective companies. The Target Group's exposure to the risk of changes in foreign exchange rates relates primarily to the inter-company balances of the group entity denominated in HK$, which is different from the functional currency of the group entity (JPY).

CHARGE OF ASSETS

As at 30 September 2012 and 2013, (i) the equity interests in the Target and its subsidiary; and (ii) all of the property, plant and equipment of the Target Group with carrying amounts of approximately HK$176,408,000 and HK$149,643,000 respectively were pledged for the interest-bearing other borrowings.

As at 30 September 2014 and 31 May 2015, (i) the equity interests in the Target and its subsidiary; and (ii) all of the property, plant and equipment of the Target Group with carrying amounts of approximately HK$134,222,000 and HK$117,904,000 respectively were pledged for the MOU Deposit.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2012, 2013 and 2014 and 31 May 2015, The Target Group had nil, 14, 19 and 21 employees respectively (including the employees assigned in accordance with the terms of Abilitas Appointment).

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Target Group did not have any significant investments, material acquisition and disposals for the period from 11 January 2012 (date of incorporation) to 30 September 2012, for the years ended 30 September 2013 and 2014, and for the eight months ended 31 May 2014 and 2015.

CONTINGENT LIABILITIES

The Target Group did not have any contingent liabilities as at 30 September 2012, 2013, 2014 and 31 May 2015.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AFTER TAKING INTO ACCOUNT OF THE SUBSCRIPTION

1. INTRODUCTION

The following unaudited pro forma statement of assets and liabilities of the Group (the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below for the purposes of illustrating the effects on the assets and liabilities of the Group as if the Subscription had been completed on 30 June 2015.

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2015 has been prepared based on (i) the audited consolidated statement of financial position of the Group as at 30 June 2015 as set out in its published annual report for the year ended 30 June 2015; and (ii) the pro forma adjustments prepared to reflect the effects of the Subscription as explained in the notes set out below that are directly attributable to the Subscription and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group as set out in its published annual report for the year ended 30 June 2015, and other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Subscription been completed as at 30 June 2015 or any future date.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 30 JUNE 2015

	The Group	Unaudited Pro Forma Adjustments for the Subscription		The Group after the Subscription
	HK$'000	*Notes*	*HK$'000*	*HK$'000*
	(Note 1)			
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	26,648			26,648
Intangible assets	116,112			116,112
Goodwill	388,766			388,766
Prepayments	12,880			12,880
Available-for-sale investment	—	*(2)*	252,527	252,527
Derivative financial instrument	—	*(2)*	135,473	135,473
	544,406			932,406
Current assets				
Inventories	97,286			97,286
Trade receivables, other receivables, deposits and prepayments	300,412	*(3)*	(180,000)	120,412
Loans receivable	200,164			200,164
Financial assets at fair value through profit or loss	215,519			215,519
Bank balances and cash	179,585	*(3)*	(208,000)	(28,415)
	992,966			604,966
Current liabilities				
Trade payables, other advances and accruals	21,756			21,756
Tax payable	10,413			10,413
	32,169			32,169
Net current assets	960,797			572,797

	The Group	Unaudited Pro Forma Adjustments for the Subscription		The Group after the Subscription
	HK$'000	*Notes*	*HK$'000*	*HK$'000*
	(Note 1)			
Total assets less current liabilities	1,505,203			1,505,203
Non-current liabilities				
Corporate bonds	179,704			179,704
Deferred tax liabilities	25,817			25,817
	205,521			205,521
Net assets	1,299,682			1,299,682

Notes:

1. The balances have been extracted from the audited consolidated statement of financial position of the Company as at 30 June 2015 as set out in its published annual report for the year ended 30 June 2015.

2. The adjustments represent the debt component and conversion option of the Convertible Bonds to be subscribed under the Subscription Agreement as if the Subscription had been completed on 30 June 2015. The conversion option is not closely related to the debt component and is classified as a derivative and measured at fair value with change in fair value recognised in profit or loss.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Group has engaged Grant Sherman Appraisal Limited, an independent qualified professional valuer, to perform a valuation on the fair value of the conversion option of the Convertible Bonds and the valuation date is 30 June 2015. The fair value of the conversion option was estimated to be HK$135,473,000 and is recorded under non-current assets as derivative financial instrument. The remaining balance of HK$252,527,000, representing the difference between the consideration paid on the Convertible Bonds of HK$388,000,000 and the fair value of the conversion option of HK$135,473,000, was accounted for as debt component of the Convertible Bonds and is recorded under non-current assets as available-for-sale investment.

The fair value of the conversion option of the Convertible Bonds is determined by using the binomial model, with the following key assumptions:

Fair value of shares of the Target	HK$694,772 per share
Conversion price	HK$680,702
Risk free interest rate	0.027%
Time to maturity	3 years
Expected volatility	27.82%
Expected dividend yield	0%
Discount rate	15.31%
Conversion period	On the Maturity Date
Early redemption period	After 30 September 2016

The fair value of the conversion option will have to be reassessed at the Completion Date and at the end of each reporting period and the difference may be significant.

3. The Group paid the MOU Deposit in respect of the Subscription of HK$180,000,000 to the Target as announced on 5 September 2014. The Group intends to settle the balance of the Consideration of HK$208,000,000 by internal resources, including the cash inflows from partial settlement of its loans receivable of HK$102,000,000 in August 2015 and its existing working capital. Based on the Directors' current plan, the remaining balance will be settled fully by cash as the Group would have sufficient cash at the Completion Date. For the purpose of the Unaudited Pro Forma Financial Information, the balance, under the hypothetical scenario, has been assumed to be settled by cash despite the Group's insufficient bank balances and cash as at 30 June 2015, which results in a deficit of HK$28,415,000 as presented above.

4. The expense of professional services related to the Subscription is not adjusted in the Unaudited Pro Forma Financial Information as it is immaterial comparing to the consideration. No other adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2015.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of assets and liabilities of the Group.

BDO

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111 Connaught Road Central
Hong Kong

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香港干諾道中111號
永安中心25樓

25 November 2015

The Board of Directors
Guocang Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Guocang Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-4 of the circular dated 25 November 2015 (the "Circular") issued by the Company, in connection with the Company's proposed subscription of the convertible bonds issued by Integrated Capital Investments Limited (the "Subscription"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Subscription on the Group's financial position as at 30 June 2015 as if the Subscription had been completed on 30 June 2015. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's financial statements for the year ended 30 June 2015, on which an annual report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 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").

Reporting Accountant's Responsibilities for the Unaudited Pro Forma Financial Information

Our responsibility is to express an opinion, as required by paragraph 29 of Chapter 4 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updated or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

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

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma statement of assets and liabilities reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the 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; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 September 2015 of the Property.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

25 November 2015

The Board of Directors
Guocang Group Limited
12/F., Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs,

ONE NISEKO RESORT TOWERS, NO. 455–3 NISEKO NISEKO-CHO, ABUTA-GUN, HOKKAIDO, JAPAN

In accordance with the instructions from **Guocang Group Limited** (referred to as the "**Company**") to value the captioned property interests (referred to as the "**Property**") situated in Japan, we confirm that we have carried out inspections of the Property, 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 the Property as at **30 September 2015** (the "**Valuation Date**").

BASIS OF VALUATION

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

VALUATION METHODOLOGY

The Property has been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuation has been made on the assumption that owners sell the Property on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

As the Property is held by the owner under freehold interest, we have assumed that the owner or its successor-in-title has free and uninterrupted rights to use the Property for infinite term. We have also assumed that the Property can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

TITLESHIP

We have been provided with copies of legal documents regarding the Property. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect ownership of the Property.

We have also relied upon the due diligence report provided by the Japanese legal advisor to the Company (the "**Japanese Legal Advisor**") on the legal issues pertaining to the Property. As confirmed by the Japanese legal adviser, the current owner of the Property is Cambridge Venture Partners Kabushi Kaisha.

SITE INSPECTION

The Property was last inspected by Mr. Hidetoshi Hidaka, of H.I.T. K.K., who is a professional member of the Licensed Real Estate Association of Japan, on between 28 June 2014 and 29 June 2014. During the site inspection, we have ascertained the following matters of the Property:

- the general environment and development conditions of the area in which the Property is situated;
- the existing use of the Property;
- the occupancy of the Property;
- the facilities provided by the Property;
- the existence of any non-conformity use within the Property;
- the repair and maintenance conditions of the Property; and
- the existence of any closure order and resumption order affixed to the Property.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

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

We have not carried out detailed site measurements to verify the correctness of the site area and floor areas in respect of the Property but have assumed that the floor areas shown on the Government documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have carried out inspection of the Property, both externally and internally. However, no structural survey has been made for the Property. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the Property are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the Property.

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

In valuing the Property, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

The Property has been valued in Japanese Yen (JPY).

Our valuation certificate is attached herewith.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Hidetoshi Hidaka
Consultant

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over ten (10) years' experience in valuation of Property in Hong Kong, Macau and the PRC.

Hidetoshi Hidaka, President of H.I.T. K.K., is a professional member of the Licensed Real Estate Association of Japan. HIT, established in 2001, is a well respected licensed real estate firm in Japan. They have performed real estate valuations consistently for real estate developers in Japan such as Propolife K.K.

VALUATION CERTIFICATE

Property held and operated by the owner

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015 *JPY*
One Niseko Resort Towers Nos. 453-5, 455-3 and 455-4, Aza-Niseko, Niseko, Abuta-gun Hokkaido 048-1511 Japan	The Property comprises 3 parcels of land with a total area of 9,199.56 square metres. A 10-storey condominium building (West Tower) and an 11-storey condominium building (East Tower), connected by a 2-storey centre building, of reinforcement concrete, are erected on two of the land lots (#455-3 and #455-4) with a total area of 5,168.56 square metres. The subject buildings were completed in about 1991 and have their recent renovation work completed in 2012. They have a total gross floor area of 11,586.32 square metres. The subject buildings are currently accommodating a total of 109 suites, a lobby lounge, a gallery cafe, ski lockers rooms, laundry rooms, dressing rooms, onsen, massage and spa rooms, restaurant, cigar bar and back of house offices. A total of 53 outdoor car parking spaces are provided on the remaining land parcel (#453-5) of the Property with an area of 4,031 square metres. The Property is situated at the northwest part of Niseko-cho and is about 2 hours' drive from the New Chitose Airport. It is the tallest building in the subject vicinity within an exclusive resort area, lying adjacent to the Moiwa Resort ski facilities and is less than 20 minutes' drive away from the Annupuri and Hirafu ski fields. It is commanding open views of layers of mountains. The Property is held by freehold ownership without any foreign ownership restrictions.	As at the date of our inspection, the Property was being operated as a fully operational condominium resort hotel.	6,515,000,000

Notes:

1. The registered owner of the Property is Cambridge Venture Partners Kabushiki Kaisha (the "Vendor"). The Property was acquired by the Vendor by virtue of the Real Estate Sale and Purchase Agreement entered into between CFX Godo Kaisha and the Vendor on 30 April 2012.

2. As opined by the Japanese Legal Advisor namely City Yuwa Partners (the "Japanese Legal Advisor"), under the Japanese civil code, property registration does not constitute the legal endorsement that any underlying transaction stated in the register book as a cause for the registered owner to acquire the title to a property is valid and unchallengeable. Therefore, the mere registration information confirming the registered owner of the Property cannot completely negate the possibility that the Vendor is not the legal owner of the Property. Nevertheless, the registration information is prima facie evidence that the registered that the owner registered as such is the legal owner, unless such evidence is turned over by any other evidence (referred to the Supreme Court Judgment of 8 January 1959).

3. Based on the disclosed documents and information, the Japanese Legal Advisor has not found any evidence or fact which cast doubt on the ownership of the Vendor. Given this, he considers that it should be valid to determine that the risk that the Vendor currently does not hold the ownership in the Property is negligibly minimal.

4. The Property is subject to a mortgage in favour of Noble Advantage Limited (a direct wholly-owned subsidiary of the Company) to secure the obligation owed by the Vendor. As confirmed by the Company, the outstanding principal amount as at the Valuation Date is JPY6,515,127,273.

5. As investigated by the Japanese Legal Advisor, saved for the aforesaid mortgage, there is no other encumbrance registered against the Property. Based on the information available to the Japanese Legal Advisor, nothing has come to his attention to cause to believe that there is any contractual burden attached to the Property.

6. As investigated by the Japanese Legal Advisor, according to the Urban Planning Team of the Construction Department of Niseko Town, the Property is falling with the Quasi-City Planning Area (jun toshikeikaku kuiki) and subject to the relevant controls on plot ratio (yoseki ritsu), site coverage (kenpei ritsu), building height and colors. As the construction of the subject development was completed prior to it being designated within the Quasi-City Planning Area, the subject building is not considered as illegal and is not required to be rebuilt even though it does not compile with all the aforesaid planning controls. As confirmed by the Vendor, there have been no specific issue regarding the development of the Property under the Urban Planning Law at the time the construction of the Property was carried out and there have been no change on the plot ratio, site coverage, design and any other matters relating to dimension of the subject development since the completion of the construction works.

7. The Notice of Confirmation of Construction (kenchiku kakunin tsuchisho), which is issued by the Government to authorise construction work commencement), and the Inspection Certificate (kensa zumisho), which is issued by the Government to certify the completion of construction works in accordance with the procedures set forth in the Construction Standards Law (Kenchiku Kijunhou), are not available to be inspected by the Japanese Legal Advisor. According to the investigation of the Japanese Legal Advisor, the Confirmation of Construction and the Inspection Certificate were issued to the Property on 27 April 1990 and 19 October 1991 respectively in the name of Reiton KK (which is the registered owner of the Property during the period of 1925 to 1998). As confirmed by the Vendor, there are no parts of the Property which does not conform to laws and regulations due to enlarging or reconstructing of the subject building, and there has been no instruction or order from administrative authority concerning city planning and other rules and regulations about the usage of Property as well as construction and management requirement.

8. As revealed by the Japanese Legal Advisor, the entire region of Niseko Town (including the Property) is subject to the Landscape local regulation and the Property is falling within the "Ordinary Zone (futsu chiiki)" under the Natural Park Act as per the explanation of Niseko Town. With the control of the Landscape local regulation, construction of any building with a height beyond 10 metres and a gross floor area above 3,000 square metres will require pre-discussion with the competent authority. Also, being zoned "Ordinary Zone", the Vendor is required to submit notification to Niseko Town if he plans to undertake the following actions to the Property:

   - Newly build, rebuild or enlarge a structure substantially;
   - Increase or decrease the water level or the quantity of water of rivers or lakes in the special zone;
   - Set up advertising matters;
   - Reclaim water surface area; and
   - Change the landform.

9. As confirmed by the Japanese Legal Advisor, the last environmental investigation of the Property was conducted in 2007 which mentioned that the possibility that the occurrence of soil pollution was extremely low. Environmental standards including but not limiting to the acceptable levels of contamination change frequently and the standards prevailing in 2007 may not be acceptable today and the Japanese Legal Advisor is unable to ascertain if the Property is in compliance with the current environmental standards. He is of the view that the existence of such uncertainty is not preferable especially because, for example, in case of sale of the Property by the Vendor, the subsequent buyer or potential buyer of the Property may voluntarily conduct an environmental investigation upon the Property and may require indemnity from the Vendor for the Property not in compliance with the applicable environmental standards. It is not required under the laws or local regulations to have environmental investigation performed on appropriate time intervals and report to the local government that the property is up to the prevailing environmental standards. The management of the Vendor claimed that they are not aware of any environmental issue with respect to the Property.

10. As confirmed by the Vendor, the Property is not subject to any order, designation or notice from the Governor under the Water Pollution Control Act and any administrative authority under the applicable environmental regulations. The Vendor is not aware of any past and present environmental issues with respect to the Property.

11. As confirmed by the Company, there is no plans for construction, renovation, improvement, development, dispose and change the use of the Property in foreseeable future.

12. As confirmed by the Vendor, the Property is not subject to any existing lawsuit, disputes or court order and there is no possibility that the Property will be acquired or distrained by any third party.

13. As opined by the Japanese Legal Advisor, under the Act on Unit Ownership Etc of Building (Tatemono no Kubun Shoyu Tou ni kansuru Horitsu, any structurally compartmented portions of a building that are capable to be independently used as residence, store, office or warehouse, each of these portions may become the subject of ownership. These portions are known and "Private Portions (senyu bubun)" and each owner has the rights to freely use, generate profit from and dispose of his private portion. As such, the Property can be sold on an individual private portion basis.

14. Niseko is located on the northern Japanese Island of Hokkaido and lies approximately 5 kilometres from Kutchan Town and approximately 120 kilometres from Sapporo and the New Chitose International Airport. Being well served by public transport, Niseko can be reached from Sapporo via Otaru or Nakayama Togo or directly from the New Chitose International Airport. Niseko is well known to visitors by its rolling countryside and beautiful ski slopes. Set against the backdrop of Mt. Yotei, the region is a feast for the eyes of many visitors. On a clear day, those who climb to the mountain summit can enjoy a bird's eye view over the region, the Japan sea and as far as the Lake Toya. During winter season, the champagne powder snow and pristine ski slopes attract skiers and snowboarders from all over the world. During summer time, visitors are drawn by the wide open countryside, farm fresh produce and summer sporting activities. The area is also famous for its natural hot springs featured with natural mineral water which is both healing and relaxing.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 is 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' and chief executive's interests and short positions in the securities of the Company and their associated corporations

As at the Latest Practicable Date, the following Directors or chief executives had or were deemed to have interests or short positions in the shares, underlying shares or 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 or short positions 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) or which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set of in Appendix 10 of the Listing Rules:

Long positions in the Shares and the underlying Shares

Name of Directors	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Mr. Wong Hin Shek	Beneficial owner	—	40,000,000	40,000,000	0.89%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	—	23,000,000	0.51%
Mr. Chiu Wai On	Beneficial owner	—	1,000,000	1,000,000	0.02%
Mr. Man Kwok Leung	Beneficial owner	—	1,000,000	1,000,000	0.02%
Dr. Wong Yun Kuen	Beneficial owner	—	1,000,000	1,000,000	0.02%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or 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 or short positions 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 otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests 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 and the underlying Shares

Name of substantial Shareholders	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Goldsure Limited *(Note 1)*	Beneficial owner	—	1,238,095,238	1,238,095,238	27.62%
Mr. Tang Tong *(Note 1)*	Interest of controlled corporation	—	1,238,095,238	1,238,095,238	27.62%
Intense Rise Holdings Limited *(Note 2)*	Beneficial owner	1,120,007,125	—	1,120,007,125	24.98%
Mr. Choy Shiu Tim *(Note 2)*	Beneficial owner & Interest of controlled corporation	1,300,007,125	—	1,300,007,125	28.99%

Notes:

1. 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.

2. The 1,120,007,125 Shares out of the 1,300,007,125 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 1,120,007,125 Shares held by Intense Rise Holdings Limited pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), 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.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their 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. INTERESTS IN CONTRACTS AND ASSETS

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 2015, 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, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(i) the Subscription Agreement;

(ii) the Supplemental Agreement;

(iii) the acquisition agreement dated 26 April 2015 entered into between the Company as purchaser and Mr. Lee Man Bun as vendor in respect of the sale and purchase of 85 shares of Delta Prestige Holdings Limited at a consideration in the sum of HK$280,000,000;

(iv) the framework agreement dated 30 March 2015 and entered into among Mr. He Yumin and Ms. Zhao Yanjun as vendors, Tech Bloom Limited, an indirect wholly-owned subsidiary of the Company as purchaser and 深圳市星美新能源汽車有限公司 (in English, for identification purpose only, Shenzhen Xingmei New Energy Automobile Limited) ("**Xingmei**") in relation to the sale and purchase of the entire equity interest in Xingmei at a consideration in the sum of RMB200,000,000;

(v) the acquisition agreement dated 4 February 2015 entered into among Mr. Yam Tak Cheung as vendor, the Company as purchaser and Mr. He Yumin as executive in relation to the sale and purchase the entire issued share capital of Green Flourish Enterprises Limited and its shareholder's loan at an aggregate consideration of HK$193,777,200;

(vi) the loan agreement dated 18 December 2014 and entered into between Cash Stand Investments Limited, an indirect wholly-owned subsidiary of the Company, as lender and an independent third party as borrower in relation to the granting of a term loan in the amount of HK$50,000,000;

(vii) the sale and purchase agreement dated 24 July 2014 entered into between the Company as vendor and Zhan Liang Holdings Limited as purchaser in respect of the sale and purchase of one issued share of Hua Yi Copper (BVI) Company Limited at a consideration in the sum of HK$136.2 million;

(viii) 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 borrower in relation to the granting of a term loan in the amount of HK$50,000,000; and

(ix) the placing agreement dated 14 March 2014 entered into between Castle Stream Limited, a direct wholly-owned subsidiary of the Company, as issuer and AMTD Financial Planning Limited as placing agent for the purpose 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.

8. EXPERTS AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
BDO Limited ("**BDO**")	Certified Public Accountants
Asset Appraisal Limited	Property Valuer

Each of Asset Appraisal Limited and BDO has given and has not withdrawn respective written consent to the issue of this circular with the inclusion of its reports and/or reference to their names (as the case may be) in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Asset Appraisal Limited and BDO did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of Asset Appraisal Limited and BDO was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. 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 12/F., Henley Building, 5 Queen's Road Central, 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.

10. DOCUMENTS 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 12/F., Henley Building, 5 Queen's Road Central, Hong Kong, up to and including the date of the SGM:

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

(ii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(iii) the written consent from the experts referred to under the paragraph headed "Experts And Consent" in this appendix;

(iv) the accountant's report prepared by BDO on the Target Group, the text of which is set out in Appendix II to this circular;

(v) the report from BDO in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(vi) the valuation report on the property prepared by Asset Appraisal Limited, the text of which is set out in Appendix V to this circular;

(vii) the annual reports of the Company and its subsidiaries for the two financial years ended 30 June 2014 and 2015;

(viii) the interim report of the Company and its subsidiaries for the six months ended 31 December 2014; and

(ix) this circular.

GUOCANG GROUP LIMITED
國藏集團有限公司

(proposed to be renamed as DeTai New Energy Group Limited
德泰新能源集團有限公司)
(Incorporated in Bermuda with limited liability)
(Stock Code: 559)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Guocang Group Limited (the "**Company**") will be held at Unit 4202, 42/F, The Center, 99 Queen's Road Central, Hong Kong on Wednesday, 16 December 2015 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the subscription agreement dated 4 September 2015 (as amended and supplemented by the supplemental agreement dated 23 November 2015) (the "**Subscription Agreement**") (a copy of which has been produced to the Meeting marked "A" and initiated by the chairman of the Meeting for the purpose of identification) entered into between Noble Advantage Limited as the subscriber (the "**Subscriber**") and Integrated Capital Investments Limited (the "**Target**"), pursuant to which, among other things, the Subscriber has agreed to subscribe for and the Target has agreed to issue, the HK$388,000,000 3.65 per cent. coupon convertible bonds due on 3rd anniversary of the date of issue (the "**Convertible Bonds**") at the subscription price which is equal to the principal amount of the Convertible Bonds of HK$388,000,000 (the "**Subscription Price**"), and the transactions contemplated thereunder be and are hereby generally and unconditionally approved, confirmed and ratified; and

(b) the directors of the Company (the "**Directors**") be and are 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 Subscription Agreement and the transactions contemplated thereunder as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the Subscription Agreement and the implementation of all transactions contemplated thereunder."

By order of the Board
Guocang Group Limited
Wong Hin Shek
Chairman and Executive Director

Hong Kong, 25 November 2015

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

Head office and principal place of business in Hong Kong:
12/F., Henley Building
5 Queen's Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

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

3. To be valid, the instrument appointing a proxy and (if required by the board of the Directors) 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 to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting in cases where the Meeting was originally held within 12 months from such date.

5. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

7. The voting at the Meeting (or any adjournment thereof) shall be taken by way of poll.

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.