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COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

MAJOR TRANSACTION
RELATING TO
SUBSCRIPTION OF EQUITY INTEREST IN JIATAI TONGREN

A letter from the Board is set out on pages 3 to 48 of this circular.

10 May 2013

CONTENTS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Announcement"	the announcement dated 6 December 2012 issued by the Company in relation to the Subscription
"Board"	the board of Directors
"Company"	COL Capital Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Subscription
"Consideration"	the consideration payable by the Company for the subscription of the Equity Interest
"Directors"	the directors of the Company
"Enlarged Group"	The Group following the Subscription
"Equity Interest"	equity interest in the registered capital of Jiatai Tongren
"Jiatai Tongren"	Jiatai Tongren (Lianyungang) Healthcare Investment Company Limited 嘉泰同仁(連雲港)醫療產業投資有限公司, (formerly known as Lianyungang Jiatai City Development Co., Ltd.) (連雲港嘉泰城市發展有限公司), a company established in the PRC with limited liability and a direct non wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Increase in Registered Capital"	an increase of Jiatai Tongren's registered capital from US$84,790,000 (approximately 661,362,000) to US$116,790,000 (approximately HK$910,962,000)
"Latest Practicable Date"	7 May 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"Percentage Ratio(s)"	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	ordinary shares of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Subscription"	the subscription of the Equity Interest of US$32,000,000
"Subscription Agreement"	the agreement dated 6 December 2012 entered into between the Company and Jiatai Tongren in relation to the subscription of the Equity Interest
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	Jiatai Tongren and its subsidiaries
"US$"	US dollars, the lawful currency of the United States of America
"Vigor Online"	Vigor Online Offshore Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder holding 391,125,707 Shares representing approximately 72.13% of the entire issued share capital of the Company as at the Latest Practicable Date (holding 390,325,707 Shares representing approximately 71.89% of the entire issued share capital of the Company as at the date of the Subscription)
"%"	per cent

COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

Executive Directors:
Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-executive Directors:
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Mr. Ma Wah Yan
Mr. Zhang Jian

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10 May 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION RELATING TO THE SUBSCRIPTION OF EQUITY INTEREST IN JIATAI TONGREN

This circular is despatched to Shareholders for information purpose only. No general meeting will be convened for approving the Subscription as Vigor Online, the controlling Shareholder holding 390,325,707 Shares, representing approximately 71.89% of the issued share capital of the Company as at the date of the Subscription Agreement, has already provided a written approval of the entering into of the Subscription Agreement. Furthermore, as no Shareholder has a material interest in the Subscription which is different from other Shareholders, no Shareholder would be required to abstain from voting in respect of the Subscription if a general meeting were convened for approving the Subscription.

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that on 6 December 2012 (after trading hours), the Company entered into the Subscription Agreement with Jiatai Tongren to subscribe for the Equity Interest at an aggregate consideration of US$32,000,000 (approximately HK$249,600,000).

The Equity Interest of US$32,000,000 (approximately HK$249,600,000) represents approximately 27.40% of the entire registered capital of Jiatai Tongren after the Increase in Registered Capital. The Company already holds an Equity Interest of US$49,186,679 (approximately HK$383,650,000) representing approximately 58.01% of the entire registered capital of Jiatai Tongren prior to the entering into the Subscription Agreement. Following Completion, the Company will become beneficially interested in Equity Interest of US$81,186,679 representing approximately 69.52% of the entire registered capital of Jiatai Tongren.

As the relevant Percentage Ratios for the Subscription under Rule 14.07 exceeds 25% but is below 100%, the Subscription constitutes a major transaction for the Company and is subject to approval of the Shareholders. The Company has obtained a written shareholder's approval for the Subscription from Vigor Online which held approximately 71.89% of the total issued share capital of the Company as at the date of the Subscription. Accordingly, no general meeting for the Shareholders' approval of the Subscription will be held.

The purpose of this circular is to provide you with, among other things, details of the Subscription.

THE SUBSCRIPTION

Date: 6 December 2012

Parties involved:
(i) the Company
(ii) Jiatai Tongren, an indirect non wholly-owned subsidiary of the Company which, prior to the completion of the Subscription Agreement, was held as to 58.01% of its registered capital by the Company and as to the balance 41.99% of its registered capital by Greatime Management Corp (a connected person of the Company by virtue of it being a substantial shareholder of a non wholly-owned subsidiary of the Company) and Asia Alliance Holdings Co., Ltd. (an Independent Third Party)

Assets acquired

The Equity Interest of US$32,000,000 (approximately HK$249,600,000) represents approximately 27.40% of the entire registered capital of Jiatai Tongren after the Increase in Registered Capital. There are no contractual restrictions which are applicable to the subsequent sale of the Equity Interest.

The Company is already beneficially interested in Equity Interest of US$49,186,679 representing approximately 58.01% of the entire registered capital of Jiatai Tongren as at the date of the Subscription Agreement. The Company has agreed to subscribe for a further Equity Interest of US$32,000,000 representing approximately 27.40% in the entire registered capital of Jiatai Tongren after the Increase in Registered Capital for an aggregate consideration of US$32,000,000. Accordingly, following the Completion, the Company will become beneficially interested in Equity Interest of US$81,186,679 (approximately HK$633,256,000) representing approximately 69.52% of the entire registered capital of Jiatai Tongren.

Consideration

The Consideration payable for the Equity Interest is US$32,000,000 (approximately HK$249,600,000).

The Consideration was satisfied by the Company in cash on Completion from its internal resources.

The Consideration was determined after arm's length negotiations between parties with reference to unaudited consolidated net assets value of Jiatai Tongren.

Completion

Completion of the Subscription Agreement is conditional upon the approval of the local Ministry of Commerce and Industry in the PRC having been obtained in relation to the Increase in Registered Capital. This condition was satisfied on 17 December 2012.

Information on the Group

The principal business of the Company is investment holding and through its subsidiaries engaged in securities trading and investments, provision of financial services, property investment and development, investment in and management and operation of healthcare and hospital businesses, trading of medical equipment and related supplies, and strategic investment.

Jiatai Tongren (formerly known as Lianyungang Jiatai City Development Company Limited) （連雲港嘉泰城市發展有限公司）is a wholly foreign owned enterprise with limited liability established in the Lianyungang Economic and Technological Development Zone, Jiangsu Province, the PRC. Jiatai Tongren, through its subsidiaries, engages in the investment in and operation of healthcare and hospital businesses, trading of medical equipment and related supplies, property investment and development, and other investments in the PRC.

Currently the Target Group consists of 13 subsidiaries, among which Tongren Healthcare Industry Group Company Limited ("Tongren Healthcare"), an intermediate holding companies directly and indirectly interested in the Nanjing Tongren Hospital Company Limited（南京同仁醫院 – a class III integrated hospital, "Nanjing Tongren Hospital"), Kunming Tongren Hospital Company Limited（昆明同仁醫院 – a class III integrated hospital, "Kunming Tongren Hospital") and Yunnan Xin Xinhua Hospital（雲南新新華醫院 – a class II integrated hospital, "Yunnan Xin Xinhua Hospital"). As at 31 December 2012, the Target Group has 2,104 employees inclusive of medical and technical staff.

Background Information

Formerly known as Lianyungang Jiatai City Development Company Limited, Jiatai Tongren was engaged in the businesses of urban infrastructure development and property investment and development in Lianyungang Economic and Technological Development Zone since its establishment in 2006. The Target Group has discontinued its business of urban infrastructure development in 2012.

Following the acquisition of an equity interest in Tongren Healthcare in June 2010, the Target Group diversified its business scope to investment in and management and operation of healthcare and hospital businesses, trading of medical equipment and related supplies, and other investments and has changed its business name in November 2012 to better reflect the new business scope.

In 2003, Tongren Healthcare has been licensed by Beijing Tongren Hospital affiliated to Capital Medical University（首都醫科大學附屬北京同仁醫院）to use the trademark "Tongren（同仁）" for a period of 30 years for its own hospitals and other healthcare institutions or entities invested by it in major cities and provinces in the PRC such as Guangzhou, Kunming, Nanjing, Henan, Dalian, Hebei and Hainan.

Hospital Operations

The Target Group operates three integrated hospitals, offering a wide range of comprehensive clinical and healthcare services as follows:

(i) the Nanjing Tongren Hospital, a class III integrated hospital, opened in 2007 and is located at Jiangning Development Zone, Nanjing, Jiangsu Province, the PRC. The Nanjing Tongren Hospital, with a site area of 136 Mu and gross floor area of 121,000 sq.m., consists of a 4-storey main building and two 12-storey buildings, with a planned operating capacity of 1,200 beds, 4,000 out-patience visits per day, 250 emergency room visits per day and 150 operation room usages per day.

    For 2012, there were 485,000 out-patience visits, 36,000 body-check visits and 20,000 in-patience visits. Currently, there are 650 beds opened, 27 clinical departments, 7 medical technical centres and a body-check centre (being the largest in Nanjing City) operated in Nanjing Tongren Hospital with 964 medical and technical staff and employees.

(ii) the Kunming Tongren Hospital, a class III integrated hospital, opened in 2010 and is located at Kunming, Yunnan Province, the PRC. The Kunming Tongren Hospital, with a site area of 150 Mu and gross floor area of 70,000 sqm, consists of an out-patient building, a medical technical building and an in-patient building, with a planned operating capacity of 500 beds, 20 clinical departments, 6 medical technical centres and a body-check centre (being the most comprehensive in Yunnan) for the first phase.

For 2012, there were 100,000 out-patience visits, 38,000 body-check visits and 7,143 in-patience visits. Currently, there are 357 beds opened in Kunming Tongren Hospital with 652 medical and technical staff and employees.

(iii) the Yunnan Xin Xinhua Hospital, a class II integrated hospital, opened in 2004 and is located at Kunming, Yunnan Province, the PRC.

For 2012, there were 108,000 out-patience visits, 5,400 body-check visits and 6,263 in-patience visits. Currently, there are 240 beds, 25 clinical departments and 5 medical technical centres operated in Yunnan Xin Xinhua Hospital with 372 medical and technical staff and employees.

Property Investment and Development

The Target Group is engaged in the businesses of property investment and development in the PRC and has completed various development projects such as the Cambridge Riverside（康橋水岸）, a residential development project in Nanjing with a total gross floor area of 250,000 sq.m. in 2010, the Dianchi Yinxiang Garden（滇池印象花园）, a residential development project in Kunming with a total gross floor area of 170,000 sq.m. in 2010 and the Kangya Garden（康雅苑）Phase I, a residential development project in Jiangning Development Zone, Nanjing with total gross area of 50,000 sq.m. in 2011.

Currently Kangya Garden（康雅苑）Phase 2 and 3 are under development with a total gross floor area of approximately 125,400 sqm, consisting of four 11-storey blocks and four 17-storey blocks, totalling 791 residential units, 22 commercial units and certain car parking spaces. The construction for the 2 phases is expected to be completed in June 2013 and June 2015 respectively.

Further, the Target Group owns (i) two pieces of vacant land with site area of 276 Mu in Lianyungang Economic and Technological Development Zone, the PRC and (ii) two plots of elderly care use land consisting of:

(a) the Nanjing elderly care use land nearby Nanjing Tongren Hospital, with a site area of 103.46 Mu and planned gross floor area of 110,000 sqm. Currently, three buildings with site area of 31 Mu and gross floor area of 18,756 sqm were built and used as rehabilitation centre and staff quarter. There is about 72.46 Mu which remains undeveloped.

(b) the Kunming elderly care use land nearby Kunming Tongren Hospital, with a site area of 155 Mu. Currently, one building with site area of 17 Mu and gross floor area of 4,699 sqm was built and used as office building. There is about 138 Mu which remains undeveloped with a planned gross floor area of 150,000 sqm.

Based on the accountants' report of Jiatai Tongren as set out in Appendix ll, the following is the financial information of Jiatai Tongren Group for the three years ended 31 December 2012 which were prepared in accordance with Hong Kong accounting standards:

	For the year ended 31 December 2012 (audited) *HK$'000*	**For the year ended 31 December 2011** (audited) *HK$'000*	**For the year ended 31 December 2010** (audited) *HK$'000*
Net loss before tax	161,638	67,440	16,401
Net loss after tax	160,152	64,924	19,413
Net asset value	865,216	793,551	782,605

Overview of the PRC Healthcare Industry

Overview of PRC Healthcare Industry

Healthcare services is an area vital to national well-being and people's livelihood. With economic growth, ageing population, growing middle class, increased incidence rate caused by unhealthy lifestyle, environmental pollution and the Chinese's enhanced awareness of healthcare, the demand for healthcare services in China showed a rapid upwards trend in general in recent years. According to China Health Statistical Yearbook 2011, the total number of patients treated at healthcare institutions in China in 2011 was 6.27 billion times, representing a year-on-year increase of 7.4% and an average treatment of 4.63 person times per capita.

In terms of hard demand, the ageing population in China has led to the increase in incidence of chronic and deadly diseases and in turn the increase in the demand for healthcare services. Take cardiovascular diseases as an example, the incidence of high blood pressure among people above 65 is 55%, twice that of young and middle-aged adults. China entered an accelerated ageing phase following 2010. The number of aged population grew at a compound annual growth rate ("CAGR") of 3.2% between 2000 and 2010, and is expected to grow at 5% between 2010 and 2020, which will significantly boost the demand for healthcare services.

In terms of soft demand, improved living standards and social security system has enabled people to focus more on their health, which has stimulated the demand for treatment of minor illnesses and non-deadly diseases and healthcare services and has led to a significant increase in hospitalizing rate. The percentage of patients visiting physicians within two weeks in 1993 were 42.4% and 33.7% for urban and rural areas, respectively, and increased to 47.90% and 35.60% for urban and rural areas, respectively, in 2008.

In terms of supply, providing healthcare services requires extremely high professional skills. As it relates to people's well-being, the price of healthcare services are under the control of the government and at an artificially low level. Currently government funding alone cannot meet increasingly diversified demand for healthcare services. There are often long lines of patients waiting for treatment in public Class III integrated hospitals, indicating the imbalance of supply and demand (there are only 1.42 persons providing healthcare services for every 1,000 persons in China, far lower than the global average of 2.38). On the other hand, in addition to the undersupply in absolute terms, the growing demand for high-end healthcare services and the lack of high-end medical professionals constitutes another major factor.

The new round of healthcare reform shows a direction of "meeting basic demand with public welfare and high-end demand with market mechanism"（基本需求公益化，高端需求市場化）. The PRC government is expected to spend limited resources in basic public welfare services, and the pricing of high-end healthcare services will be set in line with the supply and demand in the market. The PRC government is not expected to impose too many restrictions other than regulating and monitoring, and the core competitiveness of healthcare institutions in attracting talents and consumers will be the quality of services. As such, private hospitals will have better opportunities for development, and the state also encourages private capital investment in healthcare services. Currently the majority of the private capital is invested in high-end service areas where there are fewer government investments, such as cosmetic and plastic surgery, obstetrics and ophthalmology.

Private Healthcare Market

China's first private hospital was established in 1980s. Following the year of 2000, private hospitals in China experienced fast growth. During the period from 2006 to 2010, the number of private hospitals in China increased from 4,105 to 7,068, representing a CAGR of 11.55%; the number of patients treated at private hospitals increased from 85,247,500 times to 165,821,900 person times, representing a CAGR of 18.10%. It is expected that the total value of the healthcare consumption market in China for the period from 2010 to 2015 will exceed RMB1,500 billion. The private healthcare service market in China is still at an early stage of development, and there are much room for development and great investment potential.

Private Hospitals in Jiangsu Province

As for the number and distribution of healthcare institutions, there were a total of 625 private hospitals in Jiangsu Province as at the end of 2010, of which 421 or 67.36% were integrated hospitals and 170 or 27.20% were specialized hospitals.

As for the quality and efficiency of treatment services provided by healthcare institutions, in 2010, the number of patients treated at private healthcare institutions in Jiangsu Province was 22,524,900 times with admissions of 918,700 persons, the number of surgery on in-patients was 351,300 times, and the average number of treatment by per doctor per day was 7.5 times. Compared with public hospitals in Jiangsu Province, there is still much room for improvement in the quality and efficiency of healthcare services provided by private hospitals.

As for the competition between private hospitals and public hospitals, the total number of public hospitals in Jiangsu Province was 530, compared to 625 for private hospitals as at the end of 2010. Jiangsu Province is the only province in China that has more private hospitals than public hospitals. Private hospitals in Jiangsu Province have advantages in both integrated hospitals and specialized hospitals. The "service appearance" of public hospitals in Jiangsu Province is also changing. Public hospitals have begun to be engaged in ophthalmology and cosmetology on which private hospitals focus. Although private hospitals in Jiangsu Province have strong awareness of market, service and competition, the market "cake" has not become bigger and the competition has intensified.

As a major province with developed economy, the total healthcare expenses of Jiangsu Province in 2009 were RMB140.295 billion, her than the national average. The number of healthcare institutions in Jiangsu Province is too small instead of too large. Officials of the Provincial Health Department of Jiangsu Province mentioned at a plenary sessions of the provincial government that the provincial government would, on the basis of effectively performance of duties, fully introduce market mechanism to add new healthcare institutions, adjust exiting healthcare institutions and incentive mechanism, in order to form a more open and vigorous competitive landscape whereby healthcare institutions of all types of ownerships can equally compete with each other.

In June 2011, Jiangsu Provincial Government issued the Implementation Opinions on Further Encouraging and Guiding Private Capital to Establish Healthcare Institutions（關於進一步鼓勵和引導社會資本舉辦醫療機構的實施意見）, encouraging private capital to establish different kinds of healthcare institutions, expanding the range of the healthcare industry where foreign capital is allowed, as well as encouraging a rational flow of healthcare personnel between "public" and "non-public" hospitals.

Private Hospitals in Yunnan Province

As at the end of 2010, there were a total of 346 private hospitals in Yunnan Province, of which 237 or 68.50% were integrated hospitals, and 90 or 26.01% were specialized hospitals. In 2010, the total number of patients treated at private healthcare institutions in Yunnan Province was 6,212,300 times with admissions of 494,100 persons, the number of surgery on inpatients was 136,400 times, the number of emergency admissions per hundred outpatients was 8.17 persons, and the average number of treatment by per doctor per day was 4.5 times. By the numbers, public hospitals dominated the healthcare market in Yunnan Province, as evident by a total of 434 public hospitals compared to 346 private hospitals in Yunnan Province as at the end of 2010. Private hospitals have the advantage of scale in the area of specialized hospital and integrated traditional Chinese and western medicine hospital

The Opinions of the People's Government of Yunnan Province on Accelerating the Development of Private Healthcare Institutions (Draft for Soliciting Opinions)（雲南省人民政府關於加快發展民營醫療機構的意見（徵求意見稿））introduced 12 major policies to support the development of private healthcare institutions, including expressly specifying related tax policies, relaxing market access for private healthcare institutions, encouraging investment in constructing all kinds of healthcare institutions, and actively guiding private healthcare institutions in enhancing the building of talent teams and cultivating talents.

Overview of the PRC Real Estate Industry

As a niche industry of the tertiary industry, the real estate sector plays an important role in the tertiary industry and even in the entire national economy. The performance and trend of development of the real estate sector is closely related to the macro-control policies and changes in macro-economic conditions. The cycle of the real estate sector is substantially the same as that of macro-economic conditions.

Owing to global economic crisis, domestic economy operating well below trend and the macro-control policies, the investment in property development in China continued to grow at a low rate in 2012. According to a statistics of the National Bureau Statistics of China, the completed investment in property development in China amounted to RMB7,180.38 billion in 2012, representing a year-on-year increase of 16.2% which is 11.7 percentage points lower than that of the previous year.

As affected by the macro-control policies, the performance of the real estate market in China since 2012 was characterized by the following: (i) the investment in property development in China continued to grow at a low rate; (ii) facing huge downwards pressure on real economy, the loans provided by banks to the real estate sector showed a trend of "aimed easing", and the funding shortage for property developers in China was somehow alleviated; (iii) as a result of the slower growth of both of the accumulated construction area and new construction area of commodity housing in China, the growth of the accumulated completed area of commodity housing in China also slowed and the total market supply recorded slow growth; (iv) benefiting from fine-tuning of macro-control policies by local governments and the gradual implementation of policies on lowering deposit reserve ratio and interest rate, market expectations changed significantly, which had led to the release of certain purchasing power. As such, the decrease in the area of commodity housing sold in China continued to narrow and it achieved positive growth in November 2012, for the first time in the year, and the sales of commodity housing in China continued to grow, though its growth for the full year was still less than that of the previous year; and (v) the momentum of soaring housing prices in the first ten months of 2012 was curbed to a certain degree, and the housing prices started to rebound as housing trading volume significantly increased in late 2012. Since the introduction of the new Five National Measures（國五條）in February 2013, commodity housing prices further rose in the short term, although there are many uncertainties about the trend of housing prices in the longer term.

In terms of supply structure, residential properties continued to represent the largest and dominating demand in the real estate sector. However, as a result of a series of macro-control policies, property developers actively made strategic plans for commercial properties. The investment in office building and commercial properties in China maintained fast growth, while the investment in residential properties continued to grow slowly in 2012. In terms of regional distribution, the growth rate of real estate investment in eastern China remained low since 2012, but the amount of investment it attracted was still much higher than those of central and western China.

Overview of the PRC Elderly Care Industry

China's ageing society is characterized by large elderly population, fast growth of the number of the elderly and an apparent trend of ageing. As at the end of 2009, the number of the elderly over 60 reached 167 million, representing 12.5% of the total population in China. It is expected one out of three people will be aged by 2050. Also, subject to the PRC family structure of "421 (four aged, one couple and one child)", the elderly care issue has become a major social issue affecting fairness and stability of the country. The elderly care industry has become an emerging industry in China with huge potential. As stated in the Planning for the Establishment of Social System of Elderly Care Services (2011-2015)（社會養老服務體系建設規劃（2011-2015年）), the potential market size of elderly care treatment and healthcare services will exceed RMB450 billion by 2015.

As a comprehensive industry incorporating production, operation and servicing, the elderly care industry has a long industry chain and involves a variety of areas. Depending on the basic and deep needs of the elderly, the elderly care industry comprises the main sector, related sectors and derivative sectors. In view of the reality of elderly care in China and overseas, there are three core directions for the elderly care industry, namely elderly care real estate, elderly care treatment and healthcare services.

Elderly care real estate is most common in current China, while elderly care treatment is most developed overseas. The elderly care industry in China is still at a testing stage, either elderly care real estate or elderly care treatment alone does not work. According to industry practitioners, the rate of return on investments of elderly care real estate was less than 10%, with a period of return of approximately 10 years, while the elderly care treatment and healthcare services require support from a well-developed healthcare insurance system and management experience and require longer period of operation and have more uncertainties. A brand new thinking is needed to make elderly care real estate practicable.

Presently the main product offering of the elderly care real estate in China is as follows: improved versions of elderly care institutions launched by insurance funds, such as nursing homes, which are operated as long-term commercial property projects, as well as elderly care real estate projects launched by property developers, which in general treat elderly care real estate sector as an important area for development and transformation like commercial real estate and tourism real estate. Various well-established PRC property developers have established their own teams to research elderly care real estate, while insurance companies link elderly care community to the pension insurance policies sold by them, which generate long-term revenue and is suitable for investment in elderly care real estate projects. A PRC insurance company has invested RMB4 billion in building an elderly care community, which is the first pilot investment in elderly care community in the PRC insurance industry.

Factors restraining the development of the PRC elderly care industry are mainly the lack of supporting laws and policies, undeveloped financial products, traditions, concepts and filial piety culture, potential legal disputes and the lack of ancillary facilities. Moreover, the lack of effective policy and financial support and insufficient financial resources allocated by the government also restricted the progress of the elderly care industry.

In view of the overall positive industry outlook for the PRC healthcare industry, the PRC real estate industry and the PRC elderly care industry, the Group are of the view that the business outlook of the Target Group is positive.

Business Plan

Business Model of the Target Group

The overall business model of the Target Group is a combination of healthcare operations (including elderly care service) with ancillary property development projects. The healthcare and elderly care service projects is expected the principal business endeavour of the Target Group in the long run, while ancillary property development projects are short-term supportive businesses providing profit and cashflow to further support the development of healthcare and elderly care service businesses.

For the part of healthcare operations (including elderly care service), the Target Group will continue to develop integrated hospitals to build up its reputation and influence by the establishment of a technological and professional healthcare team focusing on quality.

Being the property owner of the elderly care service projects, the Target Group will seek to cooperate and ride on the expertise of internationally renowned elderly care service providers to own and operate elderly care homes comprising elderly healthcare, rehabilitation and medical services. With the medical services being provided by the integrated hospitals of the Target Group in close proximity, elderly care centers with geographical and medical service support advantages will be formed.

Ancillary property development projects will be profitable projects which require relative low investment inputs but deliver prompt as positive financial results. By developing residential projects with land cost advantages, these projects will be able to provide cash flows to support and operate the Target Group's long-term healthcare and elderly care service projects.

Business Plan of the Target Group

Through Tongren Healthcare, the Target Group will leverage on the renowned household brand name – Tongren to establish a strong professional healthcare team to provide high-quality and professional healthcare services for customers in the region and vigorously develop specialized chain services.

The Target Group currently operates three integrated hospitals in Nanjing and Kunming which operates a number of international cooperation projects such as the Sino-US orthopedics and spinal cord injury treatment center in Kunming Tongren Hospital and will continue to develop specialized chain services such as high-end obstetrics, oral cavity and otorhinolaryngology.

The Target Group will seek and cooperate with international renowned elderly care service providers and domestic insurance companies as partners to develop and operate specialized elderly care communities incorporating elements of residence, healthcare, rehabilitation and medical services at lands of the Target Group's integrated hospital.

The Target Group will continue to develop and construct residential and commercial properties, as part of its complementary business, to fund the operation and development of its elderly care service business by way of developing hospitals together with residential and commercial properties, combining healthcare services with residential and commercial under the brand name of "Tongren Elderly Care and Healthcare Industry City"（同仁養老健康產業城）.

Management Experience of the Target Group

Mr. Li Jing Hong, has a Bachelor's degree in Accounting from Shanxi Finance and Economics University, is the general manager of Tongren Group, and has worked at China Fisheries Group, China HuaLi Group, Jiatai Tongren bringing in 28 years of extensive experience in financial management, major projects, real estate, medical industry and all aspects of company management and various extensive and in depth experiences in urban infrastructure development such as the urban infrastructure development project in Lianyungang, property investment and development such as the property development projects – Cambridge Riverside in Nanjing, Dianchi Yinxiang Garden in Kunming and Kangya Garden Phase I, in Nanjing, as well as many years of overseas work and life experience with strong international vision. Mr. Li is now the director and legal representative of Jiatai Tongren.

Dr. Jonathan Seah, Doctor of Medicine degree from the Royal College of Surgeons, and with a MBA from Harvard Business School, is the chairman of Tongren Group. Dr. Seah, once served as a doctor at the National University of Singapore hospital and worked as vice chairman of Merrill Lynch Investment Bank in San Francisco and Singapore, and was also the chief executive of Parkway Health China & North Asia Division in PRC region before, the Asia's largest medical service organization, with extensive experience in building a network of medical facilities through both greenfield projects and acquisitions, and a team of 500 healthcare professionals, managers, and other staff to provide international-level healthcare services in China, with operations in Shanghai and Chengdu. Dr. Seah was also the former president of the Shanghai Commerce Chamber of Singapore and the specially invited committee of Shanghai Youth Federation. Dr. Seah is currently the Director of Tongren Healthcare, Ocean Department Company, and Learning & Interesting, an education-network company.

Mr. Guo Mei Bao, has a Bachelor's degree in Accounting majoring in Economics from NanChang University, a MBA from the Open University of Macao, is a certified public accountant in the PRC, is the vice general manager and CFO of Tongren Healthcare, and has worked at in Guangdong GSL electronics company, Guangdong JinYu Golf Club, Jiatai Tongren and so on, bringing in 16 years of extensive experiences in financial management in China and foreign company, and in enterprise operation management and various extensive and in depth experiences in urban infrastructure development such as the urban infrastructure development project in Lianyungang, property investment and development such as the property development projects – Cambridge Riverside in Nanjing, Dianchi Yinxiang Garden in Kunming and Kangya Garden Phase I, in Nanjing.

Ms. Jiang Dong Hui, has a Bachelor's degree in Economic majoring in economic management of Central University of Finance and Economics, an international MBA from Peking University – the National University of Singapore, is a certified public accountant in the PRC, is the vice manager of Tongren Healthcare, successively working in China BlueStar Group, Tianjin TaiDa International Cardiovascular Disease Hospital, bringing in more than 10 years of extensive experiences in enterprise groups, medical industry investment and financing with scope related mainly in company's IPO, refinancing, merger and acquisition and reorganization of companies; having thorough system studies in medical and health investment markets of the PRC.

Dr. Lu Chong Lin, has a Bachelor degree in medicine from Zunyi Medical College, is the medical management director of Tongren Healthcare, and has worked at in the Mining Bureau General Hospital of Guizhou Guiyang LinDong, the second hospital of Nanjing, bringing in 30 years of extensive experiences as a clinical physician and about 20 years of working experiences of quality management in the Tier-Three Level of first-class hospital, and now is also the representative of Nanjing National People's Congress and a member of Chinese Peasants and Workers Democratic Party.

Mr. Wang Gui Hua, has a Bachelor degree in economic management from Nanjing University, is the HR manager of Tongren Healthcare, bringing in 21 years of extensive experiences in human resource and administration management, and has worked in Sinopec, ARC Glassware (French company), SCA (Sweden company) and IP (American company), the latter two are one of the world's top 500 enterprises.

Dr. Zhu Zheng Hong, came from Beijing Tongren Hospital affiliated to Capital Medical University, is the director of Nanjing Tongren Hospital, being a doctor of stomatological medicine at Beijing University, ophthalmology post-doctor and postgraduate supervisor of Capital Medical University, post-doctor of the University of Michigan, visiting scholar of Stanford University, vice chairman of the International Sleep Research Society, member of Association for the Study of Internal Fixation, member of Professional Committee of Head and Neck Cancer, Chinese Anti-Cancer Association, member of Sleep Expert Committee of Chinese Medical Doctor Association, chairman of Jiangsu Association of Social Run Medical Organization, is one of the young and middle-age academic leaders in Nanjing, and Nanjing Jiangning Talents with Green Cards.

Dr. Chen Zhi Yu, has Bachelor degree from Kunming Medical College, is the director of Kunming Tongren Hospital and also the executive director of the branch of Chinese Medical Association Yunnan Province Cardiothoracic Surgery, standing director of the Yunnan Province branch of The Chinese Red Cross. Dr. Chen once served in YanAn Hospital of Kunming before joining Jiatai Tongren, bringing in 28 years of extensive experiences as a cardiothoracic surgeons and 2 years of experiences in hospital management.

Dr. Huang Kun, has Bachelor Degree in clinical medical science from Kunming Medical College and a joint graduate degree from Kunming Medical College and La Trobe University of Australia, is the director of Yunnan Xinxinhua Hospital of Tongren Group. Dr. Huang once served in the Third People's hospital of Yunnan Province, brining in 17 years extensive experiences as an anesthesiologist and about 7 years of extensive experiences in hospital management.

Ms. Di Hongyuan holds a Bachelor Degree in Architecture Profession from Tongji University and is now a senior architect. She is the general manager of Kunming Tongren Industrial Development Company Limited ("Kunming Tongren Industrial"). Ms. Di served in China Bengbu Corporation for International Tech-economic Cooperation（安徽省蚌埠市國際經濟技術合作公司）, Shenzhen Economic Cooperative Development Company（深圳市經濟協作發展公司）and Shenzhen Xinte Industrial Development Company Limited（深圳市信特實業發展有限公司）. She has been the general manager of Comway Contracting (Hong Kong) Limited, China Branch since 1999 and joined Kunming Tongren Industrial in 2006.

Mr. Mao Bangping graduated from the Professional Studies in Architecture and Construction Management at Anhui Urban-Rural Construction and Environmental Protection Dianshi Professional School（安徽省城鄉建設環境保護電視中專學校建築施工與管理專業）and is the general manager of Nanjing Tongren Industrial Company Limited ("Nanjing Tongren Industrial"). He served in construction companies in Anhui, Henan and Jiangxi. Since 2006, he has been appointed as chief engineer and deputy general manager by Hainan Sanya Phoenix Waterside Development Company Limited（海南三亞鳳凰水城開發有限公司）and Jiatai Tongren respectively. He joined Nanjing Tongren Industrial in September 2010.

Risk Factor

Risks Relating to the PRC Healthcare Industry

Risk Relating to Industry Policies on Private Hospitals

In general, the healthcare industry is a public welfare cause and directly relates to people's life and health. As such, its development heavily depends on government policies and changes in relevant regulatory policies or admission mechanism may have material effects on the investment in and exit from the industry. In addition, the last round of healthcare reform in the PRC is generally believed to not have met expectations, and the PRC government has introduced new reform measures. Existing policies on healthcare reform may be abolished or adjusted due to unexpected results arising from their implementation. As such the PRC government industry policies and other factors, such as policy responses to the global financial crisis in 2008, which are beyond the Target Group's control, could adversely affect the demand for healthcare products and services which in turn could result in negative impact on the healthcare industry.

Risk Relating to Medical Disputes and Insurance Coverage of Private Hospitals

Due to the limits of existing medical technology, varying individual patient conditions, disease conditions and doctors' skills and quality, and other force majeure events, there will inevitably be risk during the course of providing medical services. In particular, at a time when the doctor-patient relationship is quite intense, any accidents, whether private hospitals are responsible or not, will have adverse effects on their provision of healthcare services. Medical liability insurance may mitigate the losses brought by such risk to a certain degree, but such risk cannot be completely avoided. The Target Group maintains insurance coverage at levels required by relevant laws and regulations and determined by it to be appropriate in light of the cost of cover and the risk profiles of the business in which it operates. However, forces beyond the Target Group's control, including market forces, may limit the scope of coverage the Target Group can obtain and the Target Group's ability to obtain coverage at reasonable rates. Other forces beyond the Target Group's control, such as natural disasters or terrorist attacks, may be uninsurable or simply too expensive to insure. Inadequate or insufficient insurance could expose the Target Group to large claims or could result in negative impact on the Target Group's business, financial condition and results of operations.

Risk Relating to Talents and Technology Infrastructure of Private Hospitals

In order to develop, operate and explore its healthcare services and products, the Target Group must recruit and retain professional and highly skilled medical staff and employees with various areas of expertise. Any failure to recruit or retain key personnel, the unexpected loss of key senior employees, failures in the Target Group's succession planning and incentive plans or a failure to invest in the development of key skills could have a negative impact on the Target Group's business, financial condition and results of operations. In addition the Target Group must compete against other companies inside and outside of the healthcare industry for suitably qualified or experienced staff and employees. Further, failure to attract and retain existing staff and employees may threaten the success of the Target Group's operations in these markets as the Target Group risks losing the accumulated skill and knowledge if key employees leave the Target Group. Continuous investment, maintenance and upgrade of the technology, equipment and facilities is vital in order to maintain the quality of the service provided by the Target Group, failing which the prior quality of services could have a negative impact on the Target Group's business, financial condition and results of operations.

Risks Relating to the PRC Real Estate Sector

Risk Relating to Macro-Economic Conditions

The PRC real estate sector is a cyclical industry closely correlated to macro-economic conditions. In recent years, as affected by the weak global economy and the downward pressure on China's economy, the macro-economic environment facing the real estate sector is substantially different from the previous "golden decade" for it, and there are many more uncertainties. As such macroeconomic environment, change and volatility in general economic conditions. and other factors beyond the Target Group's control, e.g. the global financial crisis in 2008, could reduce demand for real estate resulting in negative effect on the real estate industry.

Risk relating to Industry Policies

The development of the PRC real estate sector is not completely market-driven, and the government's control also has significant impacts on it. At a State Council executive meeting held on 20 February 2013, the new Five National Measures were introduced, which reiterated the regulatory policies centering on loan and purchase limits and the government's determination to rein in speculative housing purchases, as well as once again requiring local governments to announce annual housing price control targets following 2011. This represents the biggest factor to drive housing prices downwards. On the other hand, however, with the concerns that hard landing of the real estate sector may affect the overall economy, the reality of land policies, and the pressure from local debts, policymakers are also considering less radical control methods, which has subjected the real estate sector to more complicated policy risks. As such the PRC government industry policies and other factors, such as policy responses to the global financial crisis in 2008, which are beyond the Target Group's control, could adversely affect the demand for real estate which in turn could result in negative impact on the real estate industry.

Market Risk

Products of the PRC real estate sector have high values, medium production cycle and long useful life, and cannot be manufactured by industrial mass production. These unique characteristics subject the PRC real estate sector to market risks different from that facing other sectors, which comprise market price fluctuation risk (the supply and demand and market prefeces may have substantially changed when products are launched in the market), financing risk (property development requires massive funding, and property developers need to pay close attention to sources of financing, capital risk and government policies limiting housing loan and purchase), liquidity risk (products of the real estate sector have a relatively low liquidity and property developers need to secure timely and sufficient supply of funding), and credit risk (a real estate project involves a large number of participants, and property developers shall carefully select and manage partners taking into account their creditworthiness). As such, the real estate industry is highly competitive focusing factors such as the location of real estate, pricing, quality of products, brand recognition and loyalty, quality of services provided and availability of financing arrangement for customers, etc. Many of the Target Group's competitors have already operated in the industry for longer periods of time than the Target Group and have accumulated more operational, managerial, sales and marketing experience, brand recognition, human resources and financial resources. The Group could not guarantee that some or many of the competitors will not engage in real estate business in markets or location in which the Target Group is operating or plans to operate, which will thereby increase competition and negatively impact the Target Group's business. The Group cannot guarantee that the Group will be able to successfully compete against the current and future competitors.

Risks Relating to the PRC Elderly Care Sector

Market Risk

As an emerging market with great potential, the elderly care market is still at an early stage of development being affected by nationals' concept of elderly care, consumption philosophy of the elderly and low pension. Professional private elderly care institutions and existing elderly care products are not yet well accepted by the market, and some professional private elderly care enterprises are struggling to survive. As such, the elderly care industry is competitive and could be focusing factors such as the availability of full medical support, location of elderly care facilities, pricing, quality of rooms, amenities and facilities, brand recognition and loyalty, geographic coverage and quality of services provided. Many of the Target Group's competitors have already operated in the industry for longer periods of time than the Target Group and have accumulated more operational, managerial, sales and marketing experience, brand recognition, human resources and financial resources. The Group cannot guarantee that some or many of the competitors will not engage in elderly care service business in markets or location in which the Target Group is operating or plans to operate, which will thereby increase competition and negatively impact the Taregt Group's business. The Group cannot guarantee that the Group will be able to successfully compete against the current and future competitors.

Risk Relating to Industry Policies

Although the PRC government expressly encourages the development of elderly care institutions, there are still no enforceable implementation rules and no specific favorable policies for private investors to invest in the establishment of new elderly care institutions. There is no clear and liberal policy environment in general either. As such the PRC government industry policies and other factors, such as policy responses to the global financial crisis in 2008, which are beyond the Target Group's control, could adversely affect the demand for elderly care products and services which in turn could result in negative impact on the elderly care industry.

Risks Relating to the PRC

Adverse changes in economic and political policies of the PRC government could have material adverse effect on the overall economic growth of PRC which in turn could adversely affect the businesses of the Target Group

The PRC's economy is different, in many respects, from that of most of the developed countries such as the level of government intervention, level of economic development and growth rate, and control on foreign exchange. Though the PRC economy has achieved substantial overall growth in the past years, growth has been uneven across different regions and among various economic sectors. As the PRC experienced a reduction on its economic growth amid the global financial crisis in 2008, the PRC government has executed various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may have an adverse impact on the Target Group's results of operations and financial condition in areas such as control over capital investments or changes in environmental, health, labour or tax regulations.

The Target Group is subject to the laws and regulations of PRC, changes in PRC governmental laws and regulations or non-compliance with applicable laws and regulations may have a significant impact on the Target Group's business, financial condition and results of operations

The Target Group's business and operations are subject to the laws and regulations of the PRC, its compliance with, inter alia, applicable environmental, health, safety, labour, social security and other laws and regulations, and the obtaining of licences and permits from the relevant PRC authorities. Although the Target Group has used its best endeavour to comply with applicable laws and regulations, the Target Group may be unable to comply with all such laws and regulations which could result in fines, penalties or lawsuits. Further, there is no assurance that the Target Group will be able to comply fully with applicable laws and regulations should there be any amendment to the existing regulatory regime or implementation of any new laws and regulations. Any changes in such government rules and regulations may increase the Target Group's costs of compliance and have a negative impact on the Target Group's business, financial condition and results of operations. Difficulties or failure in obtaining the required permits, licences and certificates will result in the Target Group's inability to continue its businesses in PRC. As a result, the Target Group's business, financial condition and results of operations may be adversely affected.

The Target Group's labour costs may increase as a result of the PRC Labour Contract Law

The PRC Labour Contract Law, which became effective on 1 January 2008, imposes various requirements on employers such as the types of contracts to be executed between an employer and an employee, and establishes time limits on probation periods and for a fixed-term employment contracts. It also requires the employer to contribute to social insurance and housing funds on behalf of its employees. As a result of the enforcement of the PRC Labour Contract Law, the Target Group's staff and labour costs may increase, which in turn lead to an increase in the Target Group's overall operating expenses. The Target Group may not be able to pass these increases on to the Target Group's customers and patients due to competitive pricing pressures. With such staff and labour costs increases and any large penalties or fees related to the PRC Labour Contract Law that the Target Group may be subjected to, the Target Group's business, financial condition and results of operations may be materially and adversely affected.

The Company is a holding company and relies on, to certain extent, the dividend payments from the Target Group

The Company is a holding company and conducts all its businesses through its operating subsidiaries in Hong Kong, the PRC and other jurisdictions. As a result, its ability to pay dividends and other distribution depends on, to a certain extent, dividends and other distributions received from the Target Group. If the Target Group incurs debt or losses, this may impair its ability to pay dividends or other distributions to the Company, which could adversely affect the Company's ability to pay dividends to its Shareholders. Under the current PRC laws, dividends of PRC companies can only be paid out of the after-tax profits calculated according to PRC accounting principles, which differ in many respects from generally accepted accounting principles in Hong Kong and other jurisdictions. Furthermore, the PRC laws require foreign invested enterprises, such as the Target Group, to set aside part of their net profit as statutory reserves. The Target Group is required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC companies. Such transfer of reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC companies. These statutory reserves are not available for distribution to the Company, except in liquidation. The calculation of distributable profits under the PRC Accounting Standards and Regulations differs in certain aspects from the calculation under HKFRS. As a result, the Target Group in PRC may not be able to pay any dividend in a given year to the Company if they do not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under HKFRS. Limitations on the ability of the Target Group to remit their entire after-tax profits to the Company in the form of dividends or other distributions could adversely affect the Company's ability to grow, make investments that could be beneficial to its business, pay dividends and otherwise fund and conduct its business. The Company cannot assure that the Target Group will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to the Company to enable the Company to pay dividends to the Shareholders. In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that the Company or the Target Group may enter into in the future may also restrict the ability of the Target Group to pay dividends or make distributions to the Company. These restrictions could reduce the amount of dividends or other distributions the Company receive from the Target Group, which in turn would restrict its ability to pay dividends to the Shareholders.

The Target Group is exposed to the risk of litigation

The Target Group could be subjected to the threat of litigation from many parties, including customers, patients, joint venture partners, suppliers, employees, regulatory authorities, and/or other relevant parties. Claims submitted to the PRC courts may include requests for punitive damages and/or compensatory damages. Further, any litigation or fines imposed by regulatory authorities may affect the reputation and financial results of the Target Group.

Laws and Regulations

Set out below is a summary of certain aspects of PRC laws and regulations, which are relevant to the operations and business of the Target Group.

Laws and Regulations Relating to Property Development

Establishment of a Real Estate Development Enterprise

Pursuant to the PRC Urban Real Estate Administration Law 《中華人民共和國城市房地產管理法》promulgated by the Standing Committee of National People's Congress (the "NPC"), which became effective on 1 January 1995 and was revised on 30 August 2007 and 27 August 2009 and the Regulation on Administration of Development and Operation of Urban Real Estate《城市房地產開發經營管理條例》promulgated by the State Council on 20 July 1998, in addition to regular enterprise establishment conditions provided in the relevant laws and administrative regulation, an enterprise which is to engage in real estate development must satisfy the minimum registered capital requirements of RMB1 million and the professional personnel requirement of no less than four full-time professional real estate/construction technicians and no less than two full-time accounting officers, each of whom must hold the relevant qualification certificate.

To establish a real estate development enterprise, the developer must apply for registration with the local State Administration for Industry and Commerce (the "SAIC") at or above the county level and report its establishment to the department of real estate development in the location of its registration within 30 days of receipt of its business license.

A foreign investor intending to engage in the development of real estate may establish an equity joint venture, a cooperative joint venture or a wholly owned enterprise in accordance with relevant laws and regulations regarding foreign investment. Where a foreign-invested enterprise is to be established to engage in development and sale of real estate, the relevant requirements of the laws and regulations regarding foreign-invested enterprises must also be observed and relevant approvals be obtained. Prior to its registration, the enterprise must be approved by the government authorities in charge of foreign investment, upon which an Approval Certificate for a Foreign Invested Enterprise will be issued.

Qualification of a Real Estate Development Enterprise

Under the Provisions on Administration of Qualifications of Real Estate Developers《房地產開發企業資質管理規定》(the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction on 29 March 2000, a real estate developer must apply for a qualification certificate. An enterprise may not engage in property development without a qualification certificate for real estate development. Real estate developers are divided into four classes. A Class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country, while a real estate developer of the Class 2 or lower may only undertake projects with a gross floor area less than 250,000 sq.m. and the detailed business scope of the developer of the Class 2 or lower is determined by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for qualifications submitted by real estate developers. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class. A developer of any qualification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another higher classification.

For a newly established real estate developer, which passes the qualification examination, the real estate development authority will issue a provisional qualification certificate《暫定資質證書》within 30 days of receipt by the authority of the relevant application for registration. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply to the real estate development authority within one month before the expiry of its provisional qualification certificate for a formal qualification classification certificate.

Foreign Investment in Property Development

Since 2006, Chinese government has commenced on tightening foreign investment in the PRC real estate market by means of promulgating a series of legal and regulatory provisions.

The Catalogue for the Guidance of Foreign Investment Industries (2007 version)《外商投資產業指導目錄(2007年修訂)》which was amended and promulgated by the Ministry of Commerce (the "MOFCOM") and National Development and Reform Commission (the "NDRC") in October 31, 2007 and effective as of December 1, 2007 removes the development and construction of ordinary residential properties from the category of industries for which foreign investment is encouraged, while remaining the development of a whole land lot and construction of villas, high-end hotels, premium office buildings, international conference centers, which must be jointly operated with the PRC partners, in the category of industry for which foreign investment is restricted. However, under the Catalogue for the Guidance of Foreign Investment Industries (2011 version)《外商投資產業指導目錄(2011年修訂)》promulgated by MOFCOM and the NDRC in December 2011, the construction and operation of villas was shifted in the category of industries in which foreign investment is prohibited, meanwhile, the construction and operation of golf courses also be included in the category of the same.

Years from 2006 to 2010 saw a large number of regulatory documents released by the PRC government with an attempt to controlling the foreign investment in the PRC real estate sector, mainly including the Opinions on the Access to and Administration of Foreign Investment in the Real Estate Market《關於規範房地產市場外資准入和管理的意見》(the "171 Opinions"), which was jointly issued by the Ministry of Construction, MOFCOM, NDRC, People's Bank of China (the "PBOC"), SAIC and State Administration of Foreign Exchange (the "SAFE") on 11 July 2006; the Notice on Further Reinforcing and Regulating the Approval and Supervision on Foreign Direct Investment in the Real Estate Industry《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》(the "No. 50 Notice"), which was jointly promulgated by MOFCOM and SAFE on 23 May 2007; the Notice on Publication of the Foreign-Invested Real Estate Projects that Have Filed with MOFCOM《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》(the "No. 130 Rule") which was issued by the General Department of SAFE on 10 July 2007; the Notice on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry《關於做好外商投資房地產業備案工作的通知》, which was promulgated by MOFCOM on 18 June 2008; and the Notice on Reinforcing the Approval and Filing Management of Foreign-invested Real Estate Enterprises《關於加強外商投資房地產業審批備案管理的通知》, which was promulgated by the General Office of MOFCOM on 22 November 2010. The aforesaid opinions and notices provide strict controlling measures in respect of the registered capital, domestic and offshore loans, conditions for approval, registration/filing processes, foreign exchange registration, sale and settlement in foreign currency and round-trip investment etc,.

Acquisition of Land Use Rights

All land in the PRC is owned by the State or is collectively owned. Individuals and entities may obtain land use rights and hold such land use rights for development purposes mainly in two ways: (i) a grant of land use rights by local land authorities; or (ii) a transfer of land use rights by land users who have obtained land use rights.

Grant of Land Use Rights

In general, the grant of land use rights from local land authorities may be carried out through a bilateral agreement between the relevant land authority and a grantee or by means of tender, auction or listing-for-sale as required by relevant laws, regulations and rules as applicable.

Pursuant to the Regulation on the Grant of Land Use Rights Through Bilateral Agreement《協議出讓國有土地使用權規定》promulgated by the Ministry of Land Resources (the "MLR"), which became effective on 1 August 2003, the land authority may grant the land use rights through a bilateral agreement if there is only one prospective land user on the plot of land to be granted. However, land used for business, tourism, entertainment, residential commodity properties and other purposes for business operations shall be granted by way of competitive processes.

Since year 2002, to ensure the grant of land use rights for commercial purposes is conducted openly and fairly, the PRC governmental authorities have formulated a large number of regulations, rules and notices to reinforce the administration of the grant of land, including but not limited to: the Regulations on the Grant of State-owned Land Use Rights by Tender, Auction or Listing-for-Sale《招標拍賣掛牌出讓國有土地使用權規定》issued by the MLR in May 2002; the Regulations on the Grant of State-owned Construction Land Use Rights by Tender, Auction or Listing-for-Sale《招標拍賣掛牌出讓國有建設用地使用權規定》which became effective on 1 November 2007; the Notice on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction《關於加強城市建設用地審查報批工作有關問題的通知》promulgated by the MLR on 4 September 2003; the Notice on Strengthening Land Supply Management and Promoting Sustainable Healthy Development of Real Estate Market《關於加強土地供應管理促進房地產市場持續健康發展的通知》issued by MLR on 24 September 2003; the Notice Regarding Supervision Work of Legal Enforcement Situation of Granting Business Land Use Rights Through Tender, Auction or Listing-for-Sale《關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》jointly issued by the MLR and the Ministry of Supervision on 31 March 2004; the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》promulgated by the General Office of the State Council on 29 April 2004; the Urgent Notice on Tightening Land Administration《關於當前進一步從嚴土地管理的緊急通知》published by the MLR on 30 May 2006; the Notice on Issues Relating to the Strengthening of Land Control《關於加強土地調控有關問題的通知》promulgated by the State Council on 31 August 2006; the Notice on Further Strengthening the Management of the Income and Expenditure Relating to Land Grants《關於進一步加強土地出讓收支管理的通知》jointly issued by five governmental authorities, including the Ministry of Finance, Ministry of Supervision, National Audit Office of the PRC, MLR and PBOC; the Notice on Issues relating to Strict Enforcement of Adjustment Policies on Real Estate Land and Improvement of the Healthy Development of Land Market《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》promulgated by the MLR on 19 December 2010 and became effective on the same date; and the Notice on Further Adjustment and Control of the Real Estate Market《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》issued by the General Office of the State Council on 26 January 2011.

The above regulations, rules and notices further emphasize that: (i) the land to be used for industrial and commercial purposes, including business, tourism, entertainment and residential commodity properties, or land for which there are two or more prospective land users, must be granted by way of tender, auction or listing-for-sale; (ii) entities and persons participating in the bidding of land shall state the source of capital and provide the relevant evidence; (iii) the grantee of State-owned construction land use rights shall pay the premium for the grant of State-owned land use rights fully in accordance with the land grant contract before it could proceed with the relevant procedures for grant of State-owned land use rights registration and apply for a land use rights certificate; (iv) property developers are required to provide a down payment of no less than 50% of the land premium and are required in principle to pay all of the land premium in installments within one year; and (v) land supply for medium-to-low-price, small-to-medium-size ordinary residential commodity properties (including economically affordable housing) or low-rental residential properties, including economically affordable housing, shall be satisfied as a priority, while land use for high-end residential commodity properties shall be stringently controlled, and applications for land use right to build villas shall be suspended.

Transfer of Real Estate

According to the Provisions on the Administration of Urban Real Estate Transfer《城市房地產轉讓管理規定》(the "Transfer Provisions") promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, donate or otherwise legally transfer real estate to another person or entity. When transferring a building, the ownership of the building and the land use rights attached are transferred together. The parties to the transfer must enter into a written real estate transfer contract and register the transfer with the competent real estate authority within 90 days of the execution of the transfer contract.

If the land use rights are initially obtained by way of a grant from a local land authority, conditions as provided by the Transfer Provisions shall be satisfied when the real estate is transferred and the term of the land use rights after the real estate transfer will be the remaining portion of the original grant obtained by the original land users.

If the land use rights transferred are initially obtained by way of allocation, the transfer shall be approved by the competent government authorities. Except as provided by relevant laws, the transferee must complete the formalities for the transfer of land use rights and pay the land premium after the transfer approval is obtained.

Pre-examination of the Construction Sites

Under the Measures for Administration of Examination and Approval for Construction Sites《建設用地審查報批管理辦法》promulgated by the MLR on 2 March 1999 and amended on 30 November 2010 and the Measures for Administration of Preliminary Examination of Construction Project Sites 《建設項目用地預審管理辦法》promulgated by the MLR on 29 November 2008 and became effective on 1 January 2009, a real estate developer must make a preliminary application for construction to the relevant land administrative authority when carrying out a feasibility study on a construction project. Upon receipt of a preliminary application, the land administration authority will carry out a preliminary examination of various aspects of the construction project in compliance with the overall zoning plans and land supply policies of the PRC Government, and will issue a preliminary approval if it is satisfied with the result of its examination. The opinions derived from this preliminary examination are requisite documents for the approval of the construction project.

Planning Permits and Construction Permits

Under the Measures for Administration on Planning of Granting and Transfer of Right to Use Urban State-owned Land《城市國有土地使用權出讓轉讓規劃管理辦法》promulgated by the Ministry of Construction on 4 December 1992 and became effective on 1 January 1993, and the Notice on Strengthening the Planning Administration of Granting and Transferring Right to Use State-owned Land《關於加強國有土地使用權出讓規劃管理工作的通知》promulgated by the Ministry of Construction on 26 December 2002 and became effective on the same date, a real estate developer shall, after signing a land grant contract, apply for an opinion on the site selection of a construction project and a construction land planning permit from the relevant city and county planning authorities. After obtaining a construction land planning permit, the real estate developer shall organise the necessary planning and design work in accordance with planning and design requirements and apply for a construction work planning permit from the relevant urban planning authority pursuant to the Law of the PRC on Urban and Rural Planning 《中華人民共和國城鄉規劃法》promulgated by Standing Committee of the NPC in October 2007 and effective on 1 January 2008.

A real estate developer must apply for a construction work commencement permit from the relevant construction administrative authority under the local people's government above the county level pursuant to the Measures for the Administration of a Construction Permit of Construction Projects《建築工程施工許可管理辦法》promulgated by the Ministry of Construction on 15 October 1999 and revised on and became effective on 4 July 2001.

Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance test under Article 61 of the PRC Construction Law《中華人民共和國建築法》, which became effective on 1 March 1998 and subsequently amended on 22 April 2011. A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions contained in the relevant contracts.

On 30 January 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects《建設工程質量管理條例》which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. After the construction of a project is complete, the real estate developer must arrange an inspection and acceptance test under the supervision of the relevant competent governmental authorities together with the relevant parties involved in the construction and experts according to the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》promulgated by the Ministry of Construction on 30 June 2000. The real estate developer shall submit records for filing to the departments in charge of project construction of the relevant local governmental authorities above the county level in the area where the projects are constructed within 15 days after the projects having successfully passed the completion acceptance inspection, pursuant to the Measures for the Administration on the Filing of Inspection Upon Completion of Buildings and Municipal Infrastructure《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》promulgated by the Ministry of Construction on 19 October 2009.

Sale of Commodity Properties

Under the Measures for Administration of Sale of Commodity Properties《商品房銷售管理辦法》promulgated by the Ministry of Construction on 4 April 2001 and became effective on 1 June 2001, the sale of commodity properties can include both sales prior to the completion of the properties and sales after the completion of the properties.

Pre-Sale of Commodity Properties

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties《城市商品房預售管理辦法》(the "Pre-sale Measures") promulgated by the Ministry of Construction on 15 November 1994, as amended on 15 August 2001 and 20 July 2004. The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. The pre-sale of commodity properties shall be subject to a licensing system. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sale permit. The pre-sale of commodity properties is required to meet the following conditions: (i) the related land premium having been fully paid up and a land use rights certificate having been obtained; (ii) a construction work planning permit and a construction work commencement permit having been obtained; and (iii) the funds invested in the development of the commodity properties intended for pre-sale representing 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates having been properly determined. The proceeds of pre-sale of commodity properties must be used to develop the relevant project.

Pursuant to the Notice on Forwarding the Opinion of Such Departments as the Ministry of Construction on Stabilising Housing Prices《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》 promulgated by the General Office of the State Council on 9 May 2005, the purchaser of a pre-sale commodity property is prohibited from transferring such property prior to the completion of its construction. Property developers are required to carry out an immediate archival filing for pre-sale contracts of commodity properties with the local authorities through a network system on a real name and real time basis.

On 13 April 2010, the Ministry of Construction issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-sale System of Commodity Housing《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》, which sets out certain measures to enhance the regulation of pre-sale of residential commodity properties. Property developers are strictly prohibited from pre-selling residential commodity properties without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, property developers are required to make a public announcement on the units available for pre-sale and the price of each unit at one time.

Sales after the Completion of Commodity Properties

Commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Regulatory Measures on the Sale of Commodity Properties《商品房銷售管理辦法》, the sale of commodity properties after the completion shall meet the following conditions: (i) the real estate development enterprise has a business licence and a qualification classification certificate for real estate development; (ii) the land use rights certificates or approval documents of land use having been obtained; (iii) the construction work planning permit and the construction work commencement permit having been obtained; (iv) the commodity properties having been completed, inspected and accepted as qualified; (v) the relocation of the original residents having been completed; (vi) the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use, or the schedule of construction and delivery date of such facilities having been specified; and (vii) the property management plan is completed.

The Provisions on Sales of Commodity Properties at Clearly Marked Price《商品房銷售明碼標價規定》was promulgated by the NDRC on 16 March 2011 and became effective on 1 May 2011. According to the provisions, any real estate developer or real estate agency ("real estate operators") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale licence or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

Idle Land

On 28 April 1999, the MLR promulgated the Measures on Handling of Idle Land《閒置土地處理辦法》which determine the scope and definition of idle land and set out the corresponding punishment measures, including payment of idle land fee and repossession of idle land without compensation.

On 8 September 2007, the MLR promulgated the Notice on Strengthening the Handling of Idle Land《關於加大閒置土地處置力度的通知》. The notice sets out the principles of dealing with idle land.

On 3 January 2008, the State Council issued the Notice on Promoting Saving and Intensification of Use of Land 《關於促進節約集約用地的通知》. The notice requires strict enforcement of the policies concerning dealing with idle land. If a parcel of land has been idle for two years or more, it must be resolutely taken back without making any compensation and be rearranged for other uses. If the land does not meet the statutory conditions for repossession, it must be dealt with in a timely manner and fully used after changing its original use, replacement by parity value, and arrangement of a temporary use or incorporation into governmental land reserves. If a parcel of land has been idle for more than one year but less than two years, an idle land fee must be charged, which shall be 20% of the land grant price.

On 21 September 2010, the Ministry of Construction and the MLR jointly promulgated the Notice on Further Strengthening Land Use and Construction Management Control of Real Estate《關於進一步加強房地產用地和建設管理調控的通知》Pursuant to the notice, the land use rights granted to a property development enterprise must be withdrawn and be re-granted through a new tender, auction or listing-for-sale if such property development enterprise fails to commence the construction of a project on the land involved within the prescribed time limit due to its application for adjustment of construction planning conditions. If the land is left idle for more than one year by the property development enterprise, the property development enterprise and its controlling shareholder shall be prohibited from taking part in the tender, auction or listing-for-sale for the grant of the land use rights. Furthermore, property development enterprises must commence the construction of a housing project within one year from the date of delivery of the land as stipulated on the land grant contract, and complete the construction within three years from the commencement date of the construction.

On 1 June 2012, the MLR revised and promulgated the Measures for the Disposal of Idle Land《閑置土地處置辦法》which further clarified the scope and definition of idle land, and the corresponding punishment measures compared to the old version.

Foreign Exchange Control

A foreign-invested enterprise in the PRC and its investors shall comply with the PRC laws and regulations relating to foreign exchange control, among which, there are the PRC Regulations on the Control of Foreign Exchange《中華人民共和國外匯管理條例》which was promulgated by the State Council on 29 January 1996 and became effective on 1 April 1996 and amended on 14 January 1997 and 1 August 2008; the Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange《結匯、售匯及付匯管理規定》which was promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996; the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》which was promulgated by SAFE on 21 October 2005and became effective as at 1 November 2005; the Notice on Relevant Business Operations Issues on the Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises《關於完善外商投資企業外匯資本金支付匯管理有關業務操作問題的通知》which was issued by the General Department of SAFE on 29 August 2008, etc,.

In addition to the above laws and regulations, the PRC government issued multiples of regulatory documents to strengthen foreign exchange control in the real estate development sector. The 171 Opinions forbids the foreign exchange administration approving the conversion of foreign loans into RMB if the foreign-invested real estate enterprises have not paid their registered capital in full, or have not obtained the State-owned land use rights certificate, or their internal fund for a development project is less than 35% of the total investment. Pursuant to No. 50 Notice, the local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign-invested real estate enterprises who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign-invested enterprises. Under No. 130 Rule, real estate enterprises with foreign investment as filed with MOFCOM are prohibited from borrowing money from overseas and those which fail to file with MOFCOM after June 1, 2007 are not allowed by SAFE or its branches either for foreign exchange registration, foreign exchange alteration registration or for sale and purchase of foreign exchange under capital account.

Environment

The laws and regulations governing the environmental protection requirements for real estate development in the PRC mainly include the PRC Environmental Protection Law《中華人民共和國環境保護法》, the PRC Environmental Impact Assessment Law《中華人民共和國環境影響評價法》, the PRC Prevention and Control of Noise Pollution Law《中華人民共和國環境噪聲污染防治法》 and the PRC Administrative Regulations on Environmental Protection for Construction Projects《建設項目環境保護管理條例》. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a real estate developer before the relevant authorities grant approval for the commencement of the construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

Real Estate Management

According to the Regulation on Property Management《物業管理條例》, enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, as amended on 26 August 2007 and effective as of 1 October 2007, the PRC implements a qualification scheme system in monitoring the property management enterprises. Under the Measures for the Administration of Qualifications of Property Management Enterprises《物業管理企業資質管理辦法》promulgated by the Ministry of Construction in March 2004, as amended in November 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

Taxation

The operating subsidiaries of the Target Group in the PRC are subject to a wide range of taxes under the PRC tax laws and regulations.

Corporate Income Tax

On 16 March 2007, the National People's Congress passed the Enterprise Income Tax Law of the PRC《中華人民共和國企業所得稅法》with effect from 1 January 2008 (the "EIT Law"). The EIT Law and its implementation rules (the "New EIT Laws") adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises.

On 7 April 2008, the SAT issued the Notice on the Prepayment of Corporate Income Tax of the Real Estate Development Enterprises《關於房地產開發企業所得稅預繳問題的通知》, which requires real estate developers to prepay corporate income tax on a quarterly (or monthly) basis according to the current actual profit. Under the notice, tax prepayments in respect of income generated from pre-sale before completion of the construction of the buildings for residential, commercial use or other uses shall be paid upon the calculation of the estimated quarterly or monthly profit according to the preset estimated profit rate, which shall be readjusted according to the actual profit after the completion of the construction of the buildings and settlement of the taxable cost. With respect to non-economical and affordable housing, the preset estimated profit rate for the buildings located at provincial-level cities and suburbs shall not be less than 20%, while that for prefectural-level cities and suburbs shall not be less than 15%, and for the economically affordable housing, the preset estimated profit rate shall not be less than 3%.

On 6 March 2009, the SAT promulgated the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses《房地產開發經營業務企業所得稅處理辦法》, which regulates the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real estate business in the PRC in relation to the imposition of corporate income tax.

On 12 May 2010, the SAT promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises《關於房地產開發企業開發產品完工條件確認問題的通知》, which provides that a property should be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put to use. Property developers should conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Under the EIT Laws, enterprises are classified as either "resident enterprises" or "non-resident enterprises". In addition to enterprises established within the PRC, enterprises established outside the PRC whose "de facto management body" which refers to a managing body that exercises, in substance, overall management and control over the production and business, personnel, accounting and assets of an enterprise are located in the PRC are considered "resident enterprises". A resident enterprise is subject to a uniform 25% EIT rate for its global income including the dividends from its subsidiaries and exempted from withholding tax.

Under the EIT Laws, "non-resident enterprises" refer to those enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business. A PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" to the extent such dividends have their source within the PRC, unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax.

Pursuant to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 (the "Tax Arrangement") signed on 21 August 2006 and entered into force on 8 December 2006, when an enterprise in the PRC distributes dividends to Hong Kong residents who are eligible for receiving such dividends, the Hong Kong residents, if holding more than 25% equity interest in such enterprise, are generally subject to a 5% taxation of the total dividends received.

According to the Notice on Issues Regarding the Implementation of Dividend Provisions in Tax Treaties《國家稅務總局關於執行稅收協議股息條款有關問題的通知》issued by the SAT on 20 February 2009 and the Administrative Measures for Non-residents to Enjoy the Treatment Under Tax Treaties (Trial)《非居民享受稅收協議待遇管理辦法（試行）的通知》promulgated on 24 August 2009 by the SAT and effective as of 1 October 2009, a non-resident taxpayer is required to obtain the approvals from the relevant tax authorities before it may enjoy a tax reduction or waiver under the dividend provision of a tax treaty.

Pursuant to the EIT Laws, any gain realized on the transfer of equity in a PRC resident enterprise by overseas investors that are "non-resident enterprises" is subject to 10% PRC income tax (exclusive of dealing with stocks of the PRC resident enterprises on the public stock market). In addition, according to the Circular of the State Administration of Taxation on Strengthening Administration of Enterprises Income Tax on Income from Equity Transfer by Non-Resident Enterprises《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(the "Circular 698") effective on 1 January 2008, when a foreign investor (the actual controlling party) transfers the equity in a PRC resident enterprise indirectly, if the actual tax rate adopted in the country (region) where the offshore holding company as the transferor is located is lower than 12.5% or the country (region) does not levy income tax to its resident on overseas income, then the foreign investor shall provide the documents in accordance with the Circular 698 to the local authority by which the PRC resident enterprise is governed within 30 days after the signing of the equity transfer agreement.

Deed tax

Under the PRC Provisional Regulations on Deed Tax《中華人民共和國契稅暫行條例》promulgated by the State Council on 7 July 1997 and implemented on 1 October 1997, a deed tax is chargeable to transferees of land use rights and/or property ownership within the territory of China. The deed tax rate is between 3% and 5% subject to determination by local governments at the provincial level in light of local conditions.

Business tax

Under the PRC Provisional Regulations on Business Tax《中華人民共和國營業稅暫行條例》promulgated by the State Council on 13 December 1993, amended on 5 November 2008, and implemented on 1 January 2009, and the Detailed Implementing Rules on the PRC Provisional Regulations on Business Tax《中華人民共和國營業稅暫行條例實施細則》issued by the Ministry of Finance and the SAT on 25 December 1993, amended on 15 December 2008 and implemented on 1 January 2009, and further amended on 28 October 2011 and implemented on 1 November 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activities.

Land Appreciation Tax (the "LAT")

Under the Provisional Regulations of the PRC on LAT《中華人民共和國土地增值稅暫行條例》promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994 and its implementing rules which were promulgated by the Ministry of Finance on 27 January 1995, the LAT applies to both domestic and foreign investors in real estate in China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting certain "deductible items". The LAT rate is progressive and ranges from 30% to 60% of the appreciation value net of the "deductible items".

On 28 December 2006, the SAT promulgated the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises《關於房地產開發企業土地增值稅清算管理有關問題的通知》, effective on 1 February 2007. According to the notice, the LAT assessment amount shall be derived from the entire value of the real estate development project if the project was approved by the relevant authority as a unit; and for a project developed in stages, the LAT assessment amount shall be derived from the value of each individual stage of the project. A taxpayer should pay the LAT if one of the circumstances listed in the notice occurs.

On 12 May 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration《土地增值稅清算管理規程》, effective on 1 June 2009 with the aim of strengthening the imposition of the LAT by specifically regulating the acceptance, review of LAT settlement and tax imposition procedures.

On 19 May 2010, the SAT promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement《關於土地增值稅清算有關問題的通知》, which provides further clarifications and guidelines on LAT Settlement, income recognition, deductible expenses, timing of assessment and other related issues.

On 25 May 2010, the SAT promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax《關於加強土地增值稅徵管工作的通知》to impose further requirements on the collection of LAT. The notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in Eastern China, no less than 1.5% for properties in Central and Northeastern China and no less than 1% for properties in Western China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC on Urban Land Use Tax《中華人民共和國城鎮土地使用稅暫行條例》promulgated by the State Council in September 1988, urban land use tax is levied according to the area of the urban land plot and the annual tax rate on urban land was set at between RMB0.2 and RMB10 per sq.m. On 31 December 2006, the Provisional Regulations of the PRC on Urban Land Use Tax were amended by the State Council. As at 1 January 2007, on the basis of the amended regulations, the urban land use tax is charged at a rate three times higher than the previous rate and foreign-invested enterprises are no longer exempt.

Property Tax

Under the Provisional Regulations of the PRC on Property Tax《中華人民共和國房產稅暫行條例》promulgated by the State Council in September 1986, property tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a property and 12% if it is calculated on the basis of the rental income of the property.

Stamp Duty

Under the Provisional Regulations of the PRC on Stamp Duty《中華人民共和國印花稅暫行條例》promulgated by the State Council in August 1988 applying to building property transfer instruments, including property ownership transfer instruments, the duty rate is 0.05% of the amount stated therein. For permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis at a rate of RMB5 per item.

Municipal Maintenance Tax and Education Surcharge

Under the Provisional Regulations of the PRC on Municipal Maintenance Tax《中華人民共和國城市維護建設稅暫行條例》promulgated by the State Council in 1985, any taxpayer, either an individual or otherwise, that is required to pay consumption tax, value-added tax or business tax is also required to pay municipal maintenance tax.

Pursuant to the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》issued by the State Council on 18 October 2010 and the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》 promulgated by the Ministry of Finance and the SAT on 4 November 2010, starting from 1 December 2010, foreign-invested enterprises are required to pay municipal maintenance and construction tax as well as education surcharge. Payment of urban maintenance and construction tax and education surcharge shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be paid simultaneously with payment of the consumption tax, value-added tax and business tax. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, a county town or town and a place other than a city, county town or town respectively. The educational surcharge rate is 3%.

Laws and Regulations Relating to Hospital Ownership and Operation

Foreign Investment in Health Care Sector

Under the Catalogue for the Guidance of Foreign Investment Industries (2007 version)《外商投資產業指導目錄(2007年修訂）》, medical institution falls within the category of industries for which foreign investment is restricted. Foreign investment in medical institutions is subject to joint operation with the PRC partner.

The Interim Measures for the Administration of Sino-foreign Equity Joint and Cooperative Joint Medical Institutions《中外合資、合作醫療機構管理暫行辦法》and its supplementary provisions I and II provide the criteria and procedures for the establishment of a sino-foreign equity joint and cooperative joint medical institution and the administrative requirements for the change, extension, termination and practice of sino-foreign equity joint and cooperative joint medical institutions.

Under the Catalogue for the Guidance of Foreign Investment Industries (2011 version)《外商投資產業指導目錄(2011年修訂）》, medical institution is removed from the category of industries for which foreign investment is restricted and consequently included in the category of industries for which foreign investment is permitted.

Administrative Principle of the Medical Service Market

The Regulation on the Administration of Medical Institutions 《醫療機構管理條例》promulgated by the State Council on 26 February 1994 and the Rules for the Implementation of Regulation on the Administration of Medical Institutions《醫療機構管理條例實施細則》promulgated by Ministry of Health (the "MOH", the predecessor of National Health and Family Planning Commission) on 29 August 1994 established the general principle of governmental supervision of medical institutions.

The Guide Opinions on the Urban Medical and Health Care System Reform《關於城鎮醫藥衛生體制改革的指導意見》jointly promulgated by eight governmental departments including the Economic System Reform Office of the State Council and the MOH on 26 February 2000 and the Implementation Opinions on the Classified Administration of Urban Medical Institution《關於城鎮醫療機構分類管理的實施意見》jointly promulgated by four governmental departments including MOH on 1 July 2000 specified the division basis between the profit medical institution and non-profit medical institution and the procedures of determining the classification of a medical institution.

In September 2001, four governmental departments including MOH jointly promulgated the Opinions on Several Issues Concerning the Classified Administration of Urban Medical Institution《關於城鎮醫療機構分類管理若干問題的意見》. On 19 February 2005, the State Council issued Several Opinions of the State Council on Encouraging, Supporting and Guiding the Development of Individual and Private Economy and Other Non-Public Sectors of the Economy《國務院關於鼓勵支持和引導個體私營等非公有制經濟發展的若干意見》. The aforesaid opinions encourage and support the establishment of profit medical institutions.

Establishment and Operation of a Medical Institution

Pursuant to the Regulation on the Administration of Medical Institutions《醫療機構管理條例》which was promulgated by the State Council on 26 February 1994 and came into effect on 1 September 1994 and the Implementation Rules of the Regulation on the Administration of Medical Institutions《醫療機構管理條例實施細則》which was published by the MOH on 29 August 1994 and effective on 1 September 1994, the establishment of a medical institution must be in conformity with the planning of setting up medical institutions published by the local health administrative authority above the county level and satisfy the basic standards established by the health administrative authority of the State Council. Any organization or individual who is to establish a medical institution shall be subject to examination and approval by the competent health administrative authority above the county level and obtain an Approval Certificate for Establishment of Medical Institution《設置醫療機構批准書》before other required formalities for setting up a medical institution can be proceeded with. The valid term of the Approval Certificate for Establishment of Medical Institution is determined by the health administrative authority at the provincial level.

The Regulation on the Administration of Medical Institutions requires a medical institution to, before commencing on operation, apply for practice registration with the health administrative authority who has issued approval for its establishment. Upon receipt of the registration application of a medical institution, the health administrative authority will examine such application in accordance with the Regulation on the Administration of Medical Institutions and the basic standards of medical institutions and afterward issue a Practice Permits for Medical Institution《醫療機構執業許可證》(the "Practice Permits") to the applicants who are qualified for registration. Medical institutions who have not obtained a Practice Permits are prohibited from conducting operation and medical practice in any way.

In addition, pursuant to the Interim Regulation on the Classified Registration of Urban Medical Institution《城鎮醫療機構分類登記暫行規定》which was jointly released by the MOH and the State Administration of Traditional Chinese Medicine (the "SATCM") in 2000, the establishment of profit medical institutions are also subject to business registrations with the delegated authorizes of the SAIC.

Under the Regulation on the Administration of Medical Institutions, in case of changes of the name, location, principals, medical subjects and sickbed numbers of a medical institution, the medical institution is required to re-register with the original registration authority. The Practice Permits obtained by a medical institution is subject to regular verification by the original practice registration authorities. The Practice Permits of a medical institution with less than 100 sickbeds shall be verified once per year and that of a medical institution with 100 sickbeds or more shall be verified once per 3 years.

Pricing

Pursuant to the Guide Opinions on the Urban Medical and Health Care System Reform, the Implementation Opinions on the Classified Administration of Urban Medical Institution, the Opinions on the Reform of Management of Medical Service Price《關於改革醫療服務價格管理的意見》jointly promulgated by the State Planning Commission (the predecessor of the NDRC) and MOH in July 2000, the Opinions on Deepening the Reform of the Medical and Health Care System《關於深化醫藥衛生體制改革的意見》and the Plan on Recent Priorities in Carrying out the Reform of the Medical and Health Care System (2009-2011)《醫藥衛生體制改革近期重點實施方案（2009-2011年）》principally passed by the State Council on 1 January 2009, the profit medical institutions are allowed to carry out independent pricing for services and the price administration authorities will inspect and supervise the service price of the medical institutions in accordance with the Price Law of the PRC《中華人民共和國價格法》and the Provisions on the Administrative Punishment of Price-related Violation《價格違法行為行政處罰規定》.

Quality of Medical Service

Medical services provided by a medical institution in the PRC shall confirm to the quality requirement of various aspects stipulated by relevant laws and regulations including but not limited to the Circular of the Ministry of Health on Strengthening the Administration of Medical Quality《衛生部關於加強醫療品質管制的通知》promulgated by MOH in September 1993, Regulation on the Handling of Medical Accidents《醫療事故處理條例》released by the State Council in February 2002, Regulation on the Management of Medical Records of Medical Institution《醫療機構病歷管理規定》jointly promulgated by MOH and (the SATCM) in February 2002, the Interim Regulation on the Report of Medical Quality and Safety Accident《醫療品質安全事件報告暫行規定》promulgated by MOH on 14 January 2011 and effective as of 1 April 2011, the Measures for the Administration of Prescriptions《處方管理辦法》promulgated by MOH in February 2007 and the Guide for Hospital Management Evaluation (2008 edition)《醫院管理評價指南（2008版）》released by MOH in May 2008.

Qualification of Medical Staff

Pursuant to Law on Practicing Doctors of the PRC《中華人民共和國執業醫師法》which was enacted by the NPC on 26 June 1998 and effective as of 1 May 1999 and the Interim Measures on the Registration of Practicing Doctors《醫師執業註冊暫行辦法》Promulgated by MOH on 16 July 1999, the PRC applies qualification test system and practice registration system for practicing doctors. Practioners shall obtain the practicing doctor qualification or assistant practicing doctor qualification by passing the centralized qualification examination and register with the relevant health care administrative authority before they can start doctor practice within the registered area.

Under the Regulation on Nurses《護士條例》which was promulgated by the State Council on 23 January 2008 and became effective on 12 May 2008, the PRC carries out the qualification test system and practice registration system for nurses. Practioner shall obtain a Certification of Practicing Nurse《護士執業證書》by passing the centralized qualification examination and register with the relevant health care administrative authority before they can start nurse practice.

Foreign doctors who engage in medical practice in China shall comply with the Interim Measures for the Administration of Foreign Doctors Practicing Medicine in China for Short Terms 《外國醫師來華短期行醫暫行管理辦法》which was promulgated by MOH on 7 October 1992 and came into force on 1 January 1993.

Medical Advertisement

According to the Advertising Law of the PRC《中華人民共和國廣告法》which was enacted by the NPC on 27 October 1994 and the Measures for the Administration of Medical Advertisements《醫療廣告管理辦法》which was jointly amended and promulgated by SAIC and MOH on 10 November 2006 and became effective on 1 January 2007, any medical advertisement to be released by a medical institution shall be examined by the relevant health care administrative authority and obtain a Certificate for Examination of Medical advertisement《醫療廣告審查證明》.

Environmental Protection

Solid wastes and sewage are usually the main wastes discharged by a medical institution in the PRC. Pursuant to the Regulations on the Administration of Medical Wastes《醫療廢物管理條例》promulgated by the State Council on 16 June 2003 and the Measures for Medical Wastes Management of Medical and Health Institution《醫療衛生機構醫療廢物管理辦法》promulgated by MOH on 15 October 2003, the solid wastes generated from the medical service process shall be disposed by institutions which are responsible for concentrated disposal of medical wastes. The discharge of sewage by a medical institution shall comply with the Law of the PRC on the Prevention and Control of Water Pollution《中華人民共和國水污染防治法》which was enacted by the NPC on 28 February 2008 and came into force on 1 June 2008, the Law of the PRC on Prevention and Treatment of Infectious Diseases《中華人民共和國傳染病防治法》 enacted by the NPC on 21 February 1981, which was amended on 28 August 2004 and effective as of 1 December 2004 and the Requirements for Sewage Discharge of Medical Institution《醫療機構污水排放要求(GB18466-2001)》released by Administration of Quality Supervision, Inspection and Quarantine (the "AQSIQ") in October 2001.

Laws and Regulations Relating to Trading of Medical Devices

Operating License

According to the Regulations for the Supervision and Administration of Medical Devices《醫療器械監管管理條例》promulgated by the State Council on 4 January2000, medical devices are classified into three different categories, Class I, Class II and Class III, based on the requirement of government control for safety and effectiveness. Class I medical devices shall be registered with the food and drug administration at the city level, while Class II and Class III at the provincial and state level respectively.

According to Measures for Supervision and Administration of Medical Device Production《醫療器械生產監管管理辦法》promulgated by State Food and Drug Administration (the "SFDA") on 20 July 2004, several requirements regarding, among others, personnel, facilities, technical standards, shall be met before the provincial food and drug administration issues a Medical Device Producing Enterprise License for producing Class II and/or Class III medical devices and before it applies for business license. The term of validity of a Medical Device Producing Enterprise License is five years.

According to Measures for Medical Device Registration《醫療器械註冊管理辦法》issued by SFDA on 9 August 2004, a Class II or Class III medical device is prohibited to be manufactured or distributed before the provincial level of SFDA or SFDA, as the case may be, issues a Medical Device Registration Certificate《醫療器械註冊證》for such medical device. The Medical Device Registration Certificate is valid for four years and shall be renewed six months prior to its expiry.

According to the Measures for the Administration of Permits for Medical Device Operation Enterprises 《醫療器械經營企業許可證管理辦法》(the "Measures") promulgated by SFDA on 9 August 2004, an enterprise engaging in the sale of Class II or Class III devices shall obtain a Permit for Medical Device Trading Enterprises《醫療器械經營企業許可證》, which is valid for five years and shall be renewed six months prior to its expiry. The Measures also stipulate the requirements, among others, regarding the personnel, facilities, quality control systems that a medical device trading enterprise shall meet before the relevant food and drug administration issues a Permit for Medical Device Trading Enterprises to it.

Export and Import

According to the Rules on the Application and Issuance of Medical Device Exporting Certificate 《醫療器械產品出口證明申辦規定》promulgated by State Medicine Administrative Bureau (the predecessor of the SFDA) on 6 January 1996 and the Rules Concerning the Issuance of Medical Device Exporting Certificate《關於出具醫療器械產品出口銷售證明書的管理規定》promulgated by SFDA on February 12, 2004, medical device exporting enterptes 《療器械產品出口銷售證明書》for the exportation of medical devices. The Medical Device Exporting Certificate 《醫療器械產品出口銷售證明書》 is valid for two years. The medical device exporting enterprise shall guarantee the quality of the exported medical devices and bear any legal liabilities arising therefrom.

Pursuant to the Measures for the Supervision and Administration of the Inspection of the Imported Medical Device《進口醫療器械檢驗監督管理辦法》promulgated by AQSIQ on 30 May 2007 and effective as of 1 December 2007, medical devices to be imported into the PRC are subject to inspection by the inspection and quarantine institutions and shall obtain the Inspection and Quarantine Certificate for Goods for Entry《入境貨物檢驗檢疫證明》.

Advertisement

According to the Criteria for the Examination and Publication of Medical Device Advertisements 《醫療器械廣告審查發佈標準》 jointly promulgated by the SFDA, SAIC and MOH on April 28, 2009, no advertisement shall be published for medical devices where its production, distribution and use have been prohibited by explicit orders of the food and drug administration and for medical devices developed by medical institutions for internal use. The name, scope of application, functions, composition and working mechanism of medical devices in a medical device advertisement shall conform to those indicated in the medical device registration certificate issued by the food and drug administration.

According to the Measures for the Examination of Medical Devices Advertisements 《醫療器械廣告審查辦法》jointly promulgated by SFDA, SAIC and MOH on April 7, 2009, an approval from the provincial food and drug administration shall be obtained for releasing any medical device advertisement to the public, except for the advertisement only bearing the name of the medical device.

Pricing

In China, national and provincial price administration authorities publish price control lists, and may, from time to time, restrict retail prices for certain medical devices. Such restrictions are usually in the form of pricing guidelines. Manufacturers of selected medical devices are required to set the retail prices of their products below the relevant maximum prices contained in these pricing guidelines. The relevant price administration authorities typically determine the maximum retail price of a product on the basis of its average unit cost among various manufacturers of the product.

Pursuant to the Trial Working Plan for Centralized Purchasing of High Value Medical Supplies by Health Institutions in Eight Provinces and Municipalities 《8省市醫療機構高值醫用耗材集中採購試點工作方案》 promulgated by MOH in August 2004, the Notice regarding Further Enhancing the Administration of Centralized Purchasing of Medical Devices《衛生部關於進一步加強醫療器械集中採購管理的通知》 issued by MOH in June 2007 and the Notice regarding Centralized Purchasing of High Value Medical Supplies 《衛生部辦公廳關於全國高值醫用耗材集中採購有關問題的通知》 issued by MOH in January 2010, MOH requires public hospitals and healthcare institutions to follow the medical device retail prices established through tender processes.

Moreover, in November 2009, NDRC, MOH and Ministry of Human Resources and Social Security (the "MOHRSS") jointly issued a Notice of Opinion on Reform of Pricing System of Pharmaceuticals and Medical Services 《關於印發改革藥品和醫療服務價格形成機制的意見的通知》, pursuant to which NDRC will strengthen its intervention in the pricing of medical devices (including high value medical devices), limit the profit margins of the participants in the supply chain for medical devices and periodically announce market price information of medical devices.

Product Liability

The Product Quality Law of the PRC《中華人民共和國產品質量法》adopted by the Standing Committee of the NPC on 22 February 1993 and amended on 8 July 2000 and on 7 August 2009 is applicable to all the production and marketing activities in the PRC. Under the Product Quality Law of the PRC and the Tort Law of the PRC《中華人民共和國侵權責任法》enacted by the NPC on 26 December 2009 and effective as of July 1, 2010, the manufacturer shall assume the liability for damages caused by its product with latent defects, while the seller shall be liable for the damages resulted from the product defect caused by the fault of the seller. Where any personal or property damages are caused by a defective product, the victim may require compensation to be made by the manufacturer of the product or the seller of the product.

According to the Measures for the Recall of Medical Devices (Trial) 《醫療器械召回管理辦法（試行）》(the "Measures for Recall") promulgated by MOH on May 20, 2011 and effective as of 1 July 2011, medical device operation enterprises shall assist the medical device manufacturers performing their obligation of recalling medical devices with latent defects. The Measures for Recall also provide the contents and procedures for the investigation and assessment of the medical device defects and the processes for the voluntary and ordered recall of the defective products.

Labour Protection

The PRC Labour Contract Law《中華人民共和國勞動合同法》and the PRC Labour Contract Law Implementation Rules《中華人民共和國勞動合同法實施條例》took effect on 1 January 2008 and 18 September 2008, respectively. These labour laws and rules set out specific provisions in relation to the execution, contents and terms of employment contracts and the rights and obligations of employees and employers.

Employers in China are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident funds. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make-up for the missed contributions. The various laws and regulations that govern the employers' obligation to contribute to the social security funds include PRC Social Insurance Law《中華人民共和國社會保險法》promulgated by the Standing Committee of the NPC on 28 October 2010 and became effective 1 July 2011; the Interim Regulations on the Collection and Payment of Social Security Funds《社會保險費徵繳暫行條例》, which were promulgated by the State Council and became effective on 22 January 1999; the Interim Measures concerning the Maternity Insurance《企業職工生育保險試行辦法》, which were promulgated by the Ministry of Labour on 14 December 1994 and became effective on 1 January 1995; the Regulations on Occupational Injury Insurance 《工傷保險條例》, which were promulgated by the State Council on 27 April 2003 and became effective on 1 January 2004 and then amended on 20 December 2010; and the Regulations on Management of the Housing Provident Fund《住房公積金管理條例》, which were promulgated and became effective on 3 April 1999 and then amended on 24 March 2002.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION

The Group's principal businesses are securities trading and investments, provision of financial services, property investment, investment in and management and operation of healthcare and hospital business, trading of medical equipment and related supplies, supplies property investment and development and strategic investment. The Directors consider that the Subscription is a valuable opportunity to further expand its business in the healthcare industry in the PRC and to explore and capture business opportunities in the fast growing healthcare and elderly care service businesses amid the trends of urbanisation and demographic shift in the PRC, which is also in conformity with the Group's strategy to seek and identify grossly undervalued investment and business opportunities in the PRC. In view of the above and further considering the management experience of Jiatai Tongren, the Board considers that the terms and conditions of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE SUBSCRIPTION

Following the Completion, Jiatai Tongen will become a 69.52% subsidiary of the Company and its result and assets and liabilities will be accounted for in the consolidated financial statements of the Group.

According to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III of this circular, the unaudited total assets and liabilities of the Group as at 31 December 2012 would remain the same following the consolidation of results and assets and liabilities of the Target Group as at 31 December 2012.

The acquisition of Jiatai Tongren by the Group was completed on 19 September 2012. Accordingly, the unaudited consolidated statement of financial position of the Group as at 31 December 2012 set out in the interim report dated 27 February 2013 ("Interim Report 2012") incorporated the financial statements of Target Group. As set out in the Interim Report 2012, the unaudited total assets and total liabilities of the Group as at 31 December 2012 were HK$6,163,231,000 and HK$3,848,329,000 respectively. The assets acquired and liabilities recognised at the date of acquisition extracted from note 21 of the Interim Report 2012 are set out below:

	HK$'000
Property, plant and equipment	1,438,055
Prepaid lease payments	127,346
Intangible assets	16,816
Interests in associates	15,931
Inventories	18,907
Properties under development for sale	621,695
Properties held for sale	39,441
Debtors, deposits and prepayments	152,129
Deposit paid for acquisition of land use right for property development	332,045
Pledged bank deposits	222,023
Restricted bank deposits	57,857
Bank balances and cash	131,908
Creditor and accrued charges	(589,626)
Consideration payable	(85,784)
Deposits received on sales of properties	(247,345)
Receipts in advance	(21,999)
Amount due to an associate	(7,966)
Bank borrowings	(1,216,544)
Obligations under finance leases	(56,613)
Deferred tax liabilities	(119,271)
Amount due to the subsidiary of the Company	(54,474)
Net assets acquired	774,531
Less: Non-controlling interests on Jiatai Tongren's subsidiaries	(111,901)
	662,630

As set out in the interim report, the Group's hospital operation carried out by Jaitai Tongren incurred a loss of HK$21,122,000 from the date of Acquisition to 31 December 2012. In preparing the Interim Report 2012, the directors of the Company performed impairment testing on the property, plant and equipment, prepaid lease payments and intangible assets of the Group's hospital operation in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". According to the result of the assessment, there is no impairment identified as the recoverable amount of the hospital operation, estimated based on value in use, using discounted cash flow method is higher than the carrying amounts of these assets as at 31 December 2012. As a result, there is no impairment. The directors confirm that they will adopt consistent accounting policies in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" and principal assumptions to assess the impairment of the Enlarged Group's intangible assets and goodwill in the future.

It is expected the revenue the Enlarged Group will be increased and the earnings of the Enlarged Group will be increased/decreased, upon the consolidation of the results of the Target Group.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant Percentage Ratios for the Subscription under Rule 14.07 exceeds 25% but is below 100%, the Subscription constitutes a major transaction for the Company and is subject to approval of the Shareholders. The Company has obtained a written shareholder's approval for the Subscription from Vigor Online which held approximately 71.89% of the total issued share capital of the Company as at the date of the Subscription. Accordingly, no general meeting for the Shareholders' approval of the Subscription will be held.

FUTURE PROSPECTS OF THE ENLARGED GROUP

The second half of 2012 saw improved sentiments in the global economic environment. The pessimism over the European sovereign debt crisis was reduced by the positive measures undertaken by the European Central Bank. Further, the economic hard landing expected for the Chinese economy was avoided and instead there was robust growth evidenced in its economy. Also the threat of adverse consequences of the U.S fiscal cliff was avoided which provided some welcome relief, however brief, to the financial markets. All these contributed to a more upbeat economic and financial environment towards the end of 2012 as compared with last year.

Despite the rally seen in the global financial market in the beginning of 2013, the worry over the fragile economic conditions, political in-fighting and paralysis, with the consequential social unrest in the developed world, geo-political tension and posturing and the lack of momentum in growth in the emerging markets will continue to linger and weigh on the global economy and financial markets. Nevertheless, the Group believes that there will always be attractive investment opportunities available as companies and businesses become grossly undervalued. Upon Completion, the Enlarged Group will, through Jiatai Tongren, be also engaged in the investment in and operation of healthcare and hospital businesses, trading of medical equipment and related supplies, property investment and development, and other investment in the PRC. The Enlarged Group will continue to cautiously seek and identify such opportunities in China, Hong Kong and the Asia Pacific region and to explore and capture business opportunities in the fast growing healthcare and elderly care service businesses amid the trends of urbanisation and demographic shift in the PRC to improve its financial performance and enhance value for shareholders.

By leveraging three operating integrated hospitals, the Enlarged Group aims to provide specialized chain services including high-end obstetrics, oral cavity and otorhinolaryngology services and strives to combine medical and healthcare services into elderly care real estate business to capture the business opportunity in the fast growing healthcare and elderly care services in the PRC.

Given that the Target Group has entered the healthcare and elderly care industry early in 2003, it is currently one of the few PRC private enterprises with various operating integrated hospitals, healthcare resources and reserve of lands, the Enlarged Group considers that it is well positioned to realize its strategic objectives.

In March 2013, the Target Group entered into a sale and purchase agreement to dispose of the entire registered capital of Lianyungang Chengtai Property Limited ("Lianyungang Chengtai") for a consideration of RMB250 million. The sole asset of Lianyungang Chengtai is two pieces of vacant land with site area of 276 Mu in Lianyungang Economic and Technological Development Zone the PRC. However, given the purchaser failed to pay a deposit into a joint managed account as prescribed in the agreement, on 14 April 2013 the Enlarged Group served a notice of termination on the purchaser to terminate the agreement.

In March 2013, the Target Group entered into a cooperative agreement with Mr. Yu Zhen Kun ("Mr. Yu"), whereby, among other, the Target Group and Mr. Yu agreed to set up a joint venture specializing in eye, ear, nose and throat with a tentative investment amount of RMB80 million. The Target Group will contribute RMB60 million for a 60% interest and Mr. Yu and his professional team will contribute RMB20 million for a 40% interest. Mr. Yu is a well-known medical specialist in the PRC, specializing in ear, nose, throat, head and neck. Mr. Yu is currently the director of surgery at the ear, nose, throat, head and neck surgery department of Beijing Tongren Hospital affiliated to Capital Medical University（首都醫科大學附屬北京同仁醫院）. The Enlarged Group considers that cooperative agreement provides an invaluable opportunity to leverage on the medical expertise of Mr. Yu.

RECOMMENDATION

Although no general meeting will be convened for approving the Subscription, the Board considers that the transactions contemplated by the Subscription Agreement are on normal commercial terms and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and its Shareholders taken as a whole. Accordingly, if a general meeting were convened for approving the Subscription, the Board would have recommended the Shareholders to vote in favour of the Subscription.

ADDITIONAL INFORMATION

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

By Order of the Board
COL Capital Limited
Chong Sok Un
Chairman

1. FINANCIAL INFORMATION

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

(a) the 6-month period ended 31 December 2012 (unaudited) is disclosed in the Company's 2012/2013 interim report published on 25 March 2013 from pages 1 to 47. Please also see below hyperlink to the Interim Report 2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0325/LTN20130325003.pdf

(b) the year ended 30 June 2012 is disclosed in the Company's 2011/2012 annual report published on 20 September 2012 from pages 29 to 104. Please also see below hyperlink to the Annual Report 2011/2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/1029/LTN20121029390.pdf

(c) the 18-month period ended 30 June 2011 is disclosed in the Company's 2010/2011 annual report published on 22 September 2011 from pages 26 to 110. Please also see below hyperlink to the Annual Report 2010/2011:

http://www.hkexnews.hk/listedco/listconews/SEHK/2011/1031/LTN20111031009.pdf

(d) the year ended 31 December 2009 is disclosed in the Company's 2009 annual report published on 29 April 2010 from pages 25 to 102. Please also see below hyperlink to the Annual Report 2009:

http://www.hkexnews.hk/listedco/listconews/SEHK/2010/0429/LTN201004291401.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding securities margin loans of approximately HK$1,137,593,000, unsecured term loan of HK$70,000,000, promissory note of HK$91,987,000, secured bank borrowings of HK$837,074,000, unsecured bank borrowings of HK$130,192,000, Consideration payable of HK$86,792,000, amount due to an associate of HK$8,060,000, obligation under finance lease of HK$91,847,000 and bonds of HK$247,000,000. As at 31 March 2013, the Enlarged Group's investments held for trading, interest in associates, available-for-sale investments, pledged bank deposits, buildings (included in the property, plant and equipment), properties under development for sale and prepaid lease payments with respective carrying values of approximately HK$946,708,000, HK$989,303,000 HK$265,786,000, HK$178,359,000, HK$584,314,000, HK$82,143,000 HK$94,776,000 were pledged to securities houses and banks to secure credit facilities granted to the Enlarged Group.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 March 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments charges, guarantees or other material contingent liabilities

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the effect of the Subscription, the Enlarged Group's existing cash and bank balances, the present available credit facilities and margin loan facilities and the expected internally generated funds, the Enlarged Group has sufficient working capital for its present requirement for the next twelve months from the date of this circular.

4. LITIGATION

The material litigations/claims of the Group as at the Latest Practicable Date are disclosed in the paragraph headed "Litigation" in Appendix V. Save as aforesaid, the Group had no other material litigation as at the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware, as at the Latest Practicable Date, of any material adverse change in the financial or trading position or prospect of the Group since 30 June 2012, the date to which the latest published audited financial statements of the Group were made up.

1. ACCOUNTANTS' REPORT ON JIATAI TONGREN (LIANYUNGANG) HEALTHCARE INVESTMENT COMPANY LIMITED

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

10 May 2013

The Directors
COL Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 嘉泰同仁（連雲港）醫療產業投資有限公司 Jiatai Tongren (Lianyungang) Healthcare Investment Company Limited ("Jiatai Tongren") (formerly known as 連雲港嘉泰城市發展有限公司 Lianyungang Jiatai City Development Co. Ltd.) and its subsidiaries (hereinafter collectively referred to as the "Target Group") for each of the three years ended 31 December 2012 (the "Relevant Periods"), for inclusion in the circular of COL Capital Limited (the "Company") dated 10 May 2013 in connection with the major acquisition relating to the subscription of equity interest in Jiatai Tongren (the "Subscription") for a consideration of US$32,000,000 (the "Circular").

Jiatai Tongren was incorporated as a wholly foreign-owned enterprise with limited liability in the People's Republic of China (the "PRC") on 6 April 2006. The registered and paid up capital of Jiatai Tongren is US$84,790,000. During the Relevant Periods, the principal activity of Jiatai Tongren was investment holding. The registered address of Jiatai Tongren is Room 806, Floor 8, Wuchan Building, Tianshan Road, Development Zone Lianyungang (連雲港開發區天山路物產大廈8層806室).

The particulars of Jiatai Tongren's subsidiaries, which are all limited liability companies incorporated in the PRC are as follows:

Name of subsidiary	Place and date of establishment	Paid up and registered capital	Proportion of registered capital held by the Target Group 31 December 2010	2011	2012	Date of this report	Principal activities
連雲港海畔房地產開發有限公司 Lianyungang Haipan Property Development Company Limited ("Lianyungang Haipan Property")[1]	PRC 9 February 2007	RMB10,000,000	100%	100%	100%	100%	Property development
連雲港成泰置業有限公司 Lianyungang Chengtai Property Limited ("Lianyungang Chengtai")[1]	PRC 12 October 2006	RMB20,000,000	100%	100%	100%	100%	Property development

Name of subsidiary	Place and date of establishment	Paid up and registered capital	Proportion of registered capital held by the Target Group 31 December 2010	2011	2012	Date of this report	Principal activities
洋浦兆合實業有限公司 Yang Pu Zhao He Industrial Company Limited ("Yang Pu Zhao He")[1]	PRC 5 March 2008	RMB245,000,000	81.63%	81.63%	81.63%	81.63%	Investment holding
同仁醫療產業集團有限公司 Tongren Healthcare Industry Group Company Limited ("Tongren Healthcare")[2]	PRC 28 April 2003	RMB200,000,000	72.5%	72.5%	100%	100%	Investment holding
南京同仁實業有限公司 Nanjing Tongren Industrial Company Limited ("Nanjing Tongren Industrial")[2]	PRC 19 August 2003	RMB80,000,000	80%	80%	80%	80%	Property development
北京同仁醫院管理有限公司 Beijing Tongren Hospital Management Company Limited ("Beijing Tongren Hospital")[2]	PRC 9 October 2003	RMB10,000,000	100%	100%	100%	100%	Investment holding
昆明同仁實業開發有限公司 Kunming Tongren Industrial Development Company Limited ("Kunming Tongren Industrial")	PRC 28 October 2003	RMB80,000,000	100%	100%	100%	100%	Property development
雲南新新華醫院有限公司 Yunnan Xin Xinhua Hospital Company Limited ("Yunnan Xinhua Hospital")[2]	PRC 11 November 2003	RMB30,000,000	100%	100%	100%	100%	Operation of a hospital in Kunming
北京同仁物業管理有限公司 Beijing Tongren Property Management Company Limited ("Beijing Tongren Property")[2]	PRC 2 January 2004	RMB5,000,000	100%	100%	–	–	Property management
南京興健醫療機械有限公司 Nanjing Xingjian Medical Equipment Company Limited ("Nanjing Xingjian")[2]	PRC 3 March 2004	RMB10,000,000	100%	100%	100%	100%	Trading of medical equipment and supplies
南京同仁醫院有限公司 Nanjing Tongren Hospital Company Limited ("Nanjing Tongren Hospital")	PRC 9 February 2007	RMB50,000,000	80%	80%	80%	80%	Operation of a hospital in Nanjing
昆明同仁醫院有限公司 Kunming Tongren Hospital Company Limited ("Kunming Tongren Hospital")	PRC 12 September 2008	RMB80,000,000	100%	100%	100%	100%	Operation of a hospital in Kunming
東營同仁國際康城投資有限公司 Dongying Tongren International Health Centre Investment Limited ("Dongying Tongren")[2&3]	PRC 24 February 2012	RMB100,000,000	–	–	55%	55%	Not yet commence business

1 These companies are directly held by Jiatai Tongren. All other companies are indirectly held by Jiatai Tongren.

2 These companies are directly held by Yang Pu Zhao He.

3 Dongying Tongren's registered capital is RMB100,000,000. Up to the date of report, its paid up capital is RMB20,000,000.

The financial year end date of Jiatai Tongren and its subsidiaries is 31 December.

The statutory financial statements of Jiatai Tongren and each of its subsidiaries were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

Name of subsidiary	Periods covered	Certified Public Accountants
Jiatai Tongren	Each of the three years ended 31 December 2012	Jiangsu Zhongxing Certified Public Accountants Company Limited
Lianyungang Haipan Property	Each of the three years ended 31 December 2012	Jiangsu Zhongxing Certified Public Accountants Company Limited
Lianyungang Chengtai	Each of the three years ended 31 December 2012	Jiangsu Zhongxing Certified Public Accountants Company Limited
Yang Pu Zhao He	Each of the three years ended 31 December 2012	Hainan Haichang Certified Public Accountants Company Limited
Beijing Tongren Hospital Tongren Healthcare	Each of the three years ended 31 December 2012	Jiangsu Teaching Certified Public Accountants Company Limited
Nanjing Tongren Industrial Nanjing Tongren Hospital Nanjing Xingjian	Each of the three years ended 31 December 2012	Jiangsu Tianmu Certified Public Accountants Company Limited
Kunming Tongren Industrial	Each of the three years ended 31 December 2012	Yunnan Pingyun Certified Public Accountants Company Limited
Kunming Tongren Hospital Yunnan Xinhua Hospital	Each of the three years ended 31 December 2012	Kunming Zhongtiancheng Certified Public Accountants Company Limited
Beijing Tongren Property	Each of the three years ended 31 December 2012	Beijing Zhongyantong Certified Public Accountants Company Limited
Dongying Tongren	From date of incorporation to 31 December	Shandong Tianhao Certified Public Accountants Company Limited

For the purpose of this report, the directors of Jiatai Tongren have prepared the consolidated management accounts of the Target Group for the Relevant Periods ("Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have carried out independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared in accordance with HKFRSs based on the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Jiatai Tongren. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group and Jiatai Tongren as at 31 December 2010, 2011 and 2012 and of the consolidated results and consolidated cash flows of the Target Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2010	**2011**	**2012**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Revenue	*7*	248,382	754,372	536,365
Cost of sales		(221,697)	(707,499)	(487,324)
Gross profit		26,685	46,873	49,041
Other income	*9*	15,900	12,764	15,921
Other gains and losses	*10*	–	(1,054)	(5,801)
Distribution expenses		(2,333)	(5,920)	(4,862)
Administrative expenses		(45,061)	(85,468)	(104,180)
Finance costs	*11*	(22,544)	(69,138)	(104,953)
Loss before taxation		(27,353)	(101,943)	(154,834)
Tax (charge) credit	*12*	(3,012)	2,516	1,486
Loss for the year from continuing operations	*13*	(30,365)	(99,427)	(153,348)
Discontinued operations				
Profit (loss) for the year from discontinued operations	*14*	10,952	34,503	(6,804)
Loss for the year		(19,413)	(64,924)	(160,152)
Other comprehensive income for the year:				
Exchange differences arising on translation to presentation currency		20,900	45,217	10,944
Total comprehensive income (expense) for the year		1,487	(19,707)	(149,208)

		Year ended 31 December		
		2010	2011	2012
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit for the year attributable to owners of Jiatai Tongren:				
– from continuing operations		(21,292)	(63,690)	(129,175)
– from discontinued operations		12,316	37,679	(4,027)
Loss for the year attributable to owners of Jiatai Tongren		(8,976)	(26,011)	(133,202)
Loss for the year attributable to non-controlling interests:				
– from continuing operations		(9,073)	(35,737)	(24,173)
– from discontinued operations		(1,364)	(3,176)	(2,777)
Loss for the year attributable to non-controlling interests		(10,437)	(38,913)	(26,950)
Total loss for the year		(19,413)	(64,924)	(160,152)
Total comprehensive income (expense) attributable to:				
Owners of Jiatai Tongren		12,124	10,946	(124,097)
Non-controlling interests		(10,637)	(30,653)	(25,111)
		1,487	(19,707)	(149,208)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2010	**2011**	**2012**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*16*	1,307,793	1,450,994	1,470,342
Prepaid lease payments	*17*	123,695	126,592	125,034
Intangible assets	*18*	70,655	67,339	61,989
Goodwill	*19*	16,396	17,180	17,382
Interests in associates	*20*	15,205	15,931	16,119
		1,533,744	1,678,036	1,690,866
Current assets				
Inventories	*21*	12,707	16,302	16,496
Properties under development for sale	*22*	454,030	318,103	804,358
Properties held for sale	*23*	91,591	50,934	33,682
Prepaid lease payments	*17*	2,876	3,014	3,050
Amounts due from customers for contract works	*24*	26,472	–	–
Debtors, deposits and prepayments	*25*	566,081	430,788	108,578
Pledged bank deposits	*26*	224,902	245,643	88,592
Restricted bank deposits	*26*	5,495	22,343	36,378
Bank balances and cash	*26*	80,421	254,322	394,752
		1,464,575	1,341,449	1,485,886
Current liabilities				
Creditors and accrued charges	*27*	773,890	578,805	390,617
Deposits received on sales of properties		333,240	55,452	401,880
Receipts in advance	*28*	25,243	31,671	22,259
Consideration payable on acquisition of additional interest in a subsidiary	*29*	–	–	43,395
Amount due to an associate	*30*	7,602	7,966	8,060
Bank borrowings – due within one year	*31*	467,836	767,914	1,016,137
Obligations under finance leases – due within one year	*32*	20,329	25,082	31,196
		1,628,140	1,466,890	1,913,544

		As at 31 December		
		2010	2011	2012
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Net current liabilities		(163,565)	(125,441)	(427,658)
Total assets less current liabilities		1,370,179	1,552,595	1,263,208
Non-current liabilities				
Deferred tax liabilities	*33*	76,664	76,265	75,520
Bank borrowings – due after one year	*31*	309,591	475,123	158,338
Obligations under finance leases – due after one year	*32*	14,510	51,500	60,651
Consideration payable on acquisition of additional interest in a subsidiary	*29*	–	–	43,397
		400,765	602,888	337,906
Net assets		969,414	949,707	925,302
Capital and reserves				
Paid-up capital	*34*	658,610	658,610	908,646
Reserves		123,995	134,941	(43,430)
Equity attributable to owners of Jiatai Tongren		782,605	793,551	865,216
Non-controlling interests		186,809	156,156	60,086
Total equity		969,414	949,707	925,302

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2010	2011	2012
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*16*	1,853	1,270	1,049
Investments in subsidiaries	*37*	269,006	281,863	421,575
Amounts due from subsidiaries	*38*	–	70,966	360,419
		270,859	354,099	783,043
Current assets				
Amounts due from customer for contract works	*24*	26,472	–	–
Debtors and prepayments	*25*	427,189	235,679	26
Amounts due from subsidiaries	*38*	308,772	497,782	496,206
Pledged bank deposits	*26*	91,813	165,824	–
Bank balances and cash	*26*	35,853	47,066	333,049
		890,099	946,351	829,281
Current liabilities				
Creditor and accrued charges	*27*	223,152	107,946	36,984
Consideration payable on acquisition of additional interest in a subsidiary	*29*	–	–	43,395
Amounts due to subsidiaries	*38*	21,259	12,255	24,823
Bank borrowings	*31*	120,468	316,320	324,985
		364,879	436,521	430,187
Net current assets		525,220	509,830	399,094
Total assets less current liabilities		796,079	863,929	1,182,137

		As at 31 December		
		2010	**2011**	**2012**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Consideration payable on acquisition of additional interest in a subsidiary	*29*	–	–	43,397
Net assets		796,079	863,929	1,138,740
Capital and reserves				
Registered capital	*34*	658,610	658,610	908,646
Reserves	*39*	137,469	205,319	230,094
Total equity		796,079	863,929	1,138,740

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Jiatai Tongren							
	Paid-up capital HK$'000	Other reserve HK$'000	Statutory surplus reserve HK$'000 (Note a)	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	424,610	–	8,506	35,284	68,081	536,481	–	536,481
Loss for the year	–	–	–	–	(8,976)	(8,976)	(10,437)	(19,413)
Other comprehensive income (expense) for the year	–	–	–	21,100	–	21,100	(200)	20,900
Total comprehensive income (expense) for the year	–	–	–	21,100	(8,976)	12,124	(10,637)	1,487
Increase in capital	234,000	–	–	–	–	234,000	–	234,000
Transfer upon disposal of a subsidiary	–	–	–	(104)	104	–	–	–
Acquisition of subsidiaries *(note 36)*	–	–	–	–	–	–	197,446	197,446
At 31 December 2010	658,610	–	8,506	56,280	59,209	782,605	186,809	969,414
Loss for the year	–	–	–	–	(26,011)	(26,011)	(38,913)	(64,924)
Other comprehensive income for the year	–	–	–	36,957	–	36,957	8,260	45,217
Total comprehensive income (expense) for the year	–	–	–	36,957	(26,011)	10,946	(30,653)	(19,707)
At 31 December 2011	658,610	–	8,506	93,237	33,198	793,551	156,156	949,707
Loss for the year	–	–	–	–	(133,202)	(133,202)	(26,950)	(160,152)
Other comprehensive income for the year	–	–	–	9,105	–	9,105	1,839	10,944

	Attributable to owners of Jiatai Tongren							
	Paid-up capital	**Other reserve**	**Statutory surplus reserve**	**Translation reserve**	**Retained profits (accumulated losses)**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total comprehensive income (expense) for the year	–	–	–	9,105	(133,202)	(124,097)	(25,111)	(149,208)
Increase in capital	250,036	–	–	–	–	250,036	–	250,036
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	11,159	11,159
Transfer upon disposal of a subsidiary	–	–	–	(805)	805	–	–	–
Acquisition of additional interest in a subsidiary *(Note b)*	–	(58,633)	–	4,359	–	(54,274)	(82,118)	(136,392)
At 31 December 2012	908,646	(58,633)	8,506	105,896	(99,199)	865,216	60,086	925,302

Notes:

(a) As stipulated by the relevant laws and regulations in the PRC, before distribution of the net profit each year, Jiatai Tongren shall set aside 10% of its net profit after taxation for the statutory surplus reserve (except where the reserve has reached 50% of paid-up capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.

(b) In April 2012, Jiatai Tongren acquired further 27.5% equity interest of a subsidiary, Tongren Healthcare, at a consideration of RMB110,000,000 (equivalent to HK$136,392,000) from an independent third party. The effective equity interest in Tongren Healthcare was increased from 59.18% to 86.68%. An amount of HK$58,633,000, representing the difference between consideration paid and the carrying amount of non-controlling interests relating to 27.5% equity interest of Tongren Healthcare is debited to other reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
(Loss) profit before taxation			
– continuing operations	(27,353)	(101,943)	(154,834)
– discontinued operations	10,952	34,503	(6,804)
Adjustments for:			
Interest expenses	22,544	69,138	104,953
Interest income	(1,775)	(7,414)	(8,072)
Depreciation of property, plant and equipment	20,560	57,959	74,835
Release of prepaid lease payments	1,411	2,963	3,044
Amortisation for intangible assets	3,136	6,580	6,132
Loss on disposal of subsidiaries	–	–	3,490
(Gain) loss on disposal of property, plant and equipment	–	(366)	566
Impairment loss recognised in respect of debtors	–	1,420	5,235
Operating cash flows before movements in working capital	29,475	62,840	28,545
Increase in inventories	(2,885)	(3,147)	(33)
Decrease (increase) in properties under development for sale and properties for sale	41,093	195,805	(465,379)
Decrease in amounts due from customers for contract works	97,242	27,405	–
(Increase) decrease in debtors, deposits and prepayments	(52,470)	(135,671)	303,922
Decrease in creditors and accrued charges	(141,778)	(170,272)	(93,186)
(Decrease) increase in deposits received on sales of properties	(73,193)	(289,528)	355,162
Increase (decrease) in receipts in advance	1,580	5,539	(9,726)
Net cash (used in) from operations	(100,936)	(307,029)	119,305
PRC taxes paid	(3,016)	(1,535)	(6,585)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(103,952)	(308,564)	112,720

		Year ended 31 December		
		2010	2011	2012
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(197,979)	(119,531)	(122,258)
Proceeds of disposal property, plant and equipment		315	5,258	256
Placement of pledged bank deposits/ restricted bank deposits		(133,863)	(263,028)	(90,316)
Withdrawal of pledged bank deposits/ restricted bank deposits		66,991	225,633	235,985
Advance to related companies		(27,478)	(21,991)	(10,000)
Advance to Yang Pu Zhao He		(116,959)	–	–
Repayment from related companies		–	26,736	13,688
Repayment from a subsidiary of the Company		101,166	–	–
Acquisition of subsidiaries	*36*	(200,352)	–	–
Disposal of subsidiaries	*35*	(14,848)	–	(4,083)
Proceeds from disposal of subsidiaries before the Relevant Periods		133,788	247,178	–
Interest received		1,775	7,414	8,072
Interest received from overdue trade receivables		–	28,429	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(387,444)	136,098	31,344
FINANCING ACTIVITIES				
Issue of new shares		234,000	–	250,036
New bank borrowings raised		499,814	1,052,399	1,129,146
Repayment of bank borrowings		(290,409)	(614,177)	(1,210,015)
Repayment of obligations under finance leases		(9,005)	(26,608)	(28,111)
Advance from the purchaser before disposal of subsidiaries		–	9,191	–
Payment on acquisition of additional interest in a subsidiary		–	–	(49,600)
Capital contribution from a non-controlling shareholder of a subsidiary		–	–	11,159
Interest paid		(26,809)	(79,974)	(107,307)
NET CASH FROM (USE IN) FINANCING ACTIVITIES		407,591	340,831	(4,692)

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(83,805)	168,365	139,372
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	8,795	5,536	1,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	155,431	80,421	254,322
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	80,421	254,322	394,752

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Jiatai Tongren is an investment holding company and the principal activities of the Target Group is sales of properties, operation of hospitals, provision of urban infra-structure development services and provision of property management services. During the Relevant Periods, the Target Group ceased the operation of urban infra-structure development services in order to focus on healthcare and property development business and discontinued the provision of property management services upon disposal of subsidiaries, which are disclosed in note 14.

Extra Earn is the immediate and ultimate holding company at 31 December 2010 and 2011. The immediate holding company at 31 December 2012 and the date of this report is the Company and its ultimate holding company is Vigor Online Offshore Limited, a limited company incorporated in the British Virgin Islands.

The functional currency of Jiatai Tongren and its subsidiaries is Renminbi ("RMB"), the currency of the primary economic environment in which Jiatai Tongren and its subsidiaries operate. For the convenience of the users of the Financial Information, the Financial Information is presented in Hong Kong dollar ("HK$").

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In the preparation of the Underlying Financial Information, the directors of Jiatai Tongren have given due and careful consideration to the future liquidity of the Target Group in light of the Target Group's net current liabilities position of HK$427,658,000 as at 31 December 2012. In the opinion of the directors of Jiatai Tongren, the Underlying Financial Information has been prepared on a going concern basis, as the Company and other shareholders of Jiatai Tongren have agreed to provide adequate funds to enable the Target Group to meet in full its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied HKFRSs issued by the HKICPA that are effective for its annual accounting period beginning on 1 January 2012 throughout the Relevant Periods.

The Target Group has not early applied the following new and revised HKFRSs that have been issued by the HKICPA but are not yet effective at the date of this report:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[1]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HKAS 19 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for accounting periods beginning on or after 1 January 2013.

[2] Effective for accounting periods beginning on or after 1 January 2014.

[3] Effective for accounting periods beginning on or after 1 January 2015.

[4] Effective for accounting periods beginning on or after 1 July 2012.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 Presentation of items of other comprehensive income introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The directors of Jiatai Tongren anticipate that the amendments to HKAS 1 will be adopted in the Target Group's consolidated financial statements for the annual period beginning 1 January 2013. Upon adoption, the presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised in 2011) and HKAS 28 (Revised in 2011).

Key requirements of HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12, were issued to clarify certain transition guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transition guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors of Jiatai Tongren anticipate these five standards, together with amendments will be adopted in the Target Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of these five standards may not have impact on amounts reported in the Financial Information but will lead to more extensive disclosures.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that HKFRS 13 will be adopted in the Target Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard is not expected to have a significant impact on the amounts reported but will result in more extensive disclosures in the Financial Information.

Other than as described above, the directors of Jiatai Tongren anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The Financial Information incorporates the financial statements of Jiatai Tongren and entities controlled by Jiatai Tongren (its subsidiaries). Control is achieved where Jiatai Tongren has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with those used by the Target Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein.

Total comprehensive income and expense of a subsidiary is attributed to the owners of Jiatai Tongren and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Target Group's ownership interests in existing subsidiaries

Changes in the Target Group's ownership interests in existing subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the proportionate share of net assets attributable to the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Jiatai Tongren.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits” respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based payment” at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investment in an associate are initially recognised in the consolidated statement of financial position at cost, and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the associate. When the Target Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Target Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Target Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Target Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Financial Information only to the extent of interests in the associate that are not related to the Target Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and titles have passed.

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, and the properties have been delivered to the purchasers pursuant to the sales agreement and the collectability of related receivables is reasonably assumed. Deposits and instalments received from purchasers on properties sold prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Hospital fees and charges and property management service income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits/accumulated losses.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or revalued amount of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments

Prepaid lease payments represent the prepaid lease payments of leasehold interests in land under operating lease arrangements and are amortised on a straight-line basis over the lease terms.

Leasing

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

The Target Group as lessee

Assets held under finance leases are recognised as assets of the Target Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target Group in RMB are translated into the presentation currency of the Target Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and initially recognised their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At end of the reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade receivables.

Inventories

Inventories, which comprise drugs, other medical and general consumable for hospital operations, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties under development for sale

Properties under development for sale are stated at lower of cost and net realisable value. Cost comprises both the acquisition cost of land use rights and development cost of the property. Net realisable value takes into account the price ultimately expected to be realised, less the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Target Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before taxation as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability of the Target Group for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in the other comprehensive income or directly in equity, in which case, the amount and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The financial assets of the Target Group are mainly loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from subsidiaries debtors, pledged bank deposits, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The carrying amount of all loans and receivables is reduced by the impairment loss directly. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group equity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by Jiatai Tongren are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including amounts due from subsidiaries, creditors and accrued charges, consideration payable, amount due to an associate, other advance and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when the Target Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to state-managed retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4 above, the directors of Jiatai Tongren have made various estimates based on past experience, expectations of the future and other information. Actual results may differ from these estimates. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the Financial Information in the next twelve months are set out below.

Impairment of debtors

In estimating whether impairment is required, the Target Group takes into consideration the ageing status and the likelihood of collection (including past repayment history of each customer). When there is objective evidence of impairment loss, the Target Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amounts of trade receivables (included in debtors, deposits and prepayments) are approximately HK$198,755,000 HK$278,109,000 and HK$43,036,000. The carrying amounts of other debtors (including receivable on the disposal of subsidiaries and other receivables) are approximately HK$320,705,000, HK$58,937,000 and HK$5,708,000 as at 31 December 2010, 2011 and 2012, respectively.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. An impairment loss is recognised for the amount by which the recoverable amount of property, plant and equipment being lower than its carrying amount. During the Relevant Periods, no property, plant and equipment was impaired based on the impairment assessment performed by management. It is possible that actual outcomes may be different from assumptions, having a material impact on the carrying amount of property, plant and equipment in the period when such estimate is revised. The carrying amount of property, plant and equipment are approximately HK$1,307,793,000, HK$1,450,994,000 and HK$1,470,342,000 as at 31 December 2010, 2011 and 2012, respectively.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets acquired from business combination allocating to hospital operation cash-generating unit ("CGU") are impaired requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU, a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. During the Relevant Periods, no goodwill and intangible assets were impaired based on the impairment assessment performed by management. The carrying amounts of goodwill are approximately HK$16,396,000, HK$17,180,000 and HK$17,382,000 and the carrying amount of intangible assets are approximately HK$70,655,000, HK$67,339,000 and HK$61,989,000 as at 31 December 2010, 2011 and 2012, respectively.

Land appreciation tax ("LAT")

The Target Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Target Group have not yet finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Target Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

6. FINANCIAL INSTRUMENTS

Capital risk management

The Target Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and reserves comprising paid-up capital, other reserve, statutory surplus reserve, translation reserve and retained profits/accumulated losses.

The directors of Jiatai Tongren review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on recommendations of the directors, the Target Group will balance its overall capital structure through raising of new capital.

Categories of financial instruments

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
The Target Group			
Financial assets			
Loans and receivables (including cash and cash equivalents)	853,069	877,647	583,749
Financial liabilities			
Amortised cost	1,558,919	1,838,999	1,659,944
Jiatai Tongren			
Financial assets			
Loans and receivables (including cash and cash equivalents)	836,627	1,017,317	1,189,700
Financial liabilities			
Amortised cost	364,879	436,521	473,584

Financial risk management objectives and policies

The Target Group and Jiatai Tongren's major financial instruments include amounts due from/to subsidiaries, debtors, pledged bank deposits, restricted bank deposits, bank balances and cash, creditors and accrued charges, amount due to an associate, other advance, bank borrowings, obligations under finance leases and consideration payable from acquisition of additional interest in a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. The directors of Jiatai Tongren manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

There has been no change to the Target Group and Jiatai Tongren's exposure to interest rate risk or the manner in which it manages and measures the risk throughout the Relevant Periods.

The Target Group is exposed to fair value interest rate risk in relation to fixed rate obligations under finance leases.

The Target Group and Jiatai Tongren's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark borrowing rate as quoted by People's Bank of China arising from the bank borrowings and prevailing market interest rate arising from the bank balances.

Sensitivity analysis

The management considers that the Target Group and Jiatai Tongren's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. If the interest rate of bank borrowings had been 100 basis point higher/lower and all other variables were held constant, the Target Group's post-tax loss would increase/decrease by HK$7,514,000, HK$11,499,000 and HK$10,831,000 for the year ended 31 December 2010, 2011 and 2012, respectively, after taking into account of interest capitalisation. Jiatai Tongren's post-tax loss would increase/decrease by HK$1,205,000 for the year ended 31 December 2010 and post-tax profit would decrease/increase by HK$3,163,000 and HK$3,250,000 for the year ended 31 December 2011 and 2012, respectively.

Credit risk

The Target Group and Jiatai Tongren's credit risk are primarily attributable to trade receivables, other receivables, pledged bank deposits, restricted bank deposits and bank balances.

The Target Group and Jiatai Tongren's maximum exposure to credit risk which will cause a financial loss to the Target Group and Jiatai Tongren due to failure to discharge an obligation by the counterparties is the carrying amounts of the respective recognised financial assets as stated in the consolidated and Jiatai Tongren's statements of financial position.

In order to minimise the credit risk on hospital, construction and property management business, management of the Target Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Target Group and Jiatai Tongren have concentration of credit risk from a customer of construction business of the Target Group and Jiatai Tongren, which amounted to HK$177,000,000 and HK$229,458,000 as at 31 December 2010 and 2011, respectively. Also, the Target Group and Jiatai Tongren have concentration of credit risks on the amounts due from related companies as at 31 December 2010, 2011 and 2012. The directors of Jiatai Tongren consider these counterparties with good credit worthiness based on their past repayment history. Other than these, there is no significant concentration of credit risk in receivables as the exposure spread over a number of counterparties and customers.

Receivable on disposal of subsidiaries of HK$247,178,000 as at 31 December 2010 is settled during the Relevant Periods.

Jiatai Tongren had concentration of credit risk in respect of amounts due from subsidiaries. Management considered that the credit risk of the amounts due from subsidiaries is insignificant after considering the financial position of these subsidiaries.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

The Target Group has net current liabilities of HK$163,565,000, HK$125,441,000 and HK$427,658,000 as at 31 December 2010, 2011 and 2012, respectively. The Financial Information has prepared on a going concern basis as the Company has agreed to provide adequate funds to enable the Target Group to meet in full its financial obligations as they fall due for the foreseeable future.

In the management of the liquidity risk, the Target Group and Jiatai Tongren monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the daily operation of the Target Group and Jiatai Tongren and mitigate the effects of fluctuations in cash flows. The management of the Target Group and Jiatai Tongren monitor and review periodically the conditions of loan covenants of the existing banking facilities and tries all efforts to comply with the loan covenants.

The following table details the Target Group and Jiatai Tongren's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group and Jiatai Tongren can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market rate at the end of the reporting period.

The Target Group

	Weighted average effective interest rate	Less than 3 months or on demand	3 months to 1 year	1 -5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010							
Non-derivative financial liabilities							
Creditors and accrued charges	–	179,841	594,049	–	–	773,890	773,890
Amount due to an associate	–	7,602	–	–	–	7,602	7,602
Bank borrowings	5.18%	52,679	452,441	202,744	175,866	883,730	777,427
Obligations under finance leases	3.83%	5,918	15,832	21,570	–	43,320	34,839
		246,040	1,062,322	224,314	175,866	1,708,542	1,593,758

	Weighted average effective interest rate	Less than 3 months or on demand	3 months to 1 year	1 -5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011							
Non-derivative financial liabilities							
Creditors and accrued charges	–	202,379	376,426	–	–	578,805	578,805
Other advance	–	9,191	–	–	–	9,191	9,191
Amount due to an associate	–	7,966	–	–	–	7,966	7,966
Bank borrowings	8.45%	274,883	562,933	576,786	–	1,414,602	1,243,037
Obligations under finance leases	5.48%	8,665	22,344	63,670	2,777	97,456	76,582
		503,084	961,703	640,456	2,777	2,108,020	1,915,581

	Weighted average effective interest rate	Less than 3 months or on demand	3 months to 1 year	1 -5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012							
Non-derivative financial liabilities							
Creditors and accrued charges	–	149,939	240,678	–	–	390,617	390,617
Amount due to an associate	–	8,060	–	–	–	8,060	8,060
Consideration payable from acquisition of additional interest in a subsidiary	–	–	43,395	43,397	–	86,792	86,792
Bank borrowings	8.20%	313,367	749,667	189,333	–	1,252,367	1,174,475
Obligations under finance leases	5.98%	9,558	28,675	74,095	–	112,328	91,847
		480,924	1,062,415	306,825	–	1,850,164	1,751,791

Jiatai Tongren

	Weighted average effective interest rate	Less than 3 months or on demand	3 months to 1 year	1 -5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010							
Non-derivative financial liabilities							
Creditors and accrued charges	–	2,024	221,128	–	–	223,152	223,152
Bank borrowings	5.31%	42,535	80,588	–	–	123,123	120,468
Amounts due to subsidiaries	–	21,259	–	–	–	21,259	21,259
		65,818	301,716	–	–	367,534	364,879

	Weighted average effective interest rate	Less than 3 months or on demand	3 months to 1 year	1 -5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011							
Non-derivative financial liabilities							
Creditors and accrued charges	–	3,817	104,129	–	–	107,946	107,946
Bank borrowings	6.56%	171,071	149,122	–	–	320,193	316,320
Amounts due to subsidiaries	–	12,255	–	–	–	12,255	12,255
		187,143	253,251	–	–	440,394	436,521

	Weighted average effective interest rate	Less than 3 months or on demand	3 months to 1 year	1 -5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012							
Non-derivative financial liabilities							
Creditors and accrued charges	–	–	36,984	–	–	36,984	36,984
Consideration payable from acquisition of additional interest in a subsidiary	–	–	43,395	43,397	–	86,792	86,792
Bank borrowings	6.56%	210,039	121,561	–	–	331,600	324,985
Amounts due to subsidiaries	–	24,823	–	–	–	24,823	24,823
		234,862	201,940	43,397	–	480,199	473,584

Fair value

The fair value of financial assets and financial liabilities of the Target Group and Jiatai Tongren are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Jiatai Tongren consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Target Group and Jiatai Tongren's statements of financial position approximate their fair values.

7. REVENUE

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
An analysis of the Target Group's revenue for the Relevant Periods from continuing operations is as follows:			
Sales of properties	130,433	384,171	39,222
Hospital fees and charges	117,949	370,201	497,143
Total revenue	248,382	754,372	536,365

8. SEGMENT INFORMATION

Information reported to the directors of Jiatai Tongren, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered.

Specifically, the Target Group's reportable and operating segments under HKFRS 8 are as follows:

Property development	Sales of properties
Hospital	Operation of hospitals
Construction	Provision of urban infra-structure development services
Property management	Provision of property management services

Construction and property management segments are discontinued during year ended 31 December 2012. Management of Jiatai Tongren decided to cease the operation of urban infra-structure development in order to focus on the healthcare business. The property management operation was disposed in 2012, details of which are set out in note 35. The segment information reported below does not include any amounts for the discontinued operations, which are described in details in note 14.

During the year ended 31 December 2010, the Target Group engaged in the new operation of hospitals through the acquisition of Yang Pu Zhao He (note 36) which is identified as new operating and reportable segment.

Segment revenues and results

The following is an analysis of the Target Group's revenue and results by operating and reportable segment.

For the year ended 31 December 2010

Continuing operations

	Property development	**Hospital**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	130,433	117,949	248,382
Segment profit (loss)	24,344	(18,265)	6,079
Other income			2,515
Central corporate expenses			(27,509)
Finance costs			(8,438)
Loss before taxation			(27,353)

For the year ended 31 December 2011

Continuing operations

	Property development *HK$'000*	**Hospital** *HK$'000*	**Consolidated** *HK$'000*
Revenue	384,171	370,201	754,372
Segment loss	(4,835)	(52,138)	(56,973)
Other income			10,275
Central corporate expenses			(31,625)
Finance costs			(23,620)
Loss before taxation			(101,943)

For year ended 31 December 2012

Continuing operations

	Property development *HK$'000*	**Hospital** *HK$'000*	**Consolidated** *HK$'000*
Revenue	39,222	497,143	536,365
Segment loss	(16,073)	(77,036)	(93,109)
Other income			12,343
Central corporate expenses			(51,521)
Finance costs			(22,548)
Loss before taxation			(154,835)

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Target Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned/losses incurred by each segment without allocation of certain other income, central corporate expenses and certain finance costs. This is the measure reported to the directors of Jiatai Tongren for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Target Group's assets and liabilities by operating and reportable segment:

At 31 December 2010

	Property development	Hospital	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	638,201	1,497,253	2,135,454
Assets relating to discontinued operations			221,337
Interests in associates			15,205
Property, plant and equipment			3,095
Other receivables			295,115
Amounts due from related companies			22,790
Pledged bank deposits			224,902
Bank balances and cash			80,421
Consolidated assets			2,998,319
Segment liabilities	476,954	945,502	1,422,456
Liabilities relating to discontinued operations			226,873
Creditors and accrued charges			34,491
Bank borrowings			260,819
Amount due to an associate			7,602
Deferred tax liabilities			76,664
Consolidated liabilities			2,028,905

At 31 December 2011

	Property development	Hospital	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	524,352	1,653,147	2,177,499
Assets relating to discontinued operations			255,191
Interests in associates			15,931
Property, plant and equipment			2,484
Other receivables			50,370
Amounts due from related companies			18,045
Pledged bank deposits			245,643
Bank balances and cash			254,322

	Property development	Hospital	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Consolidated assets			3,019,485
Segment liabilities	423,563	1,006,238	1,429,801
Liabilities relating to discontinued operations			121,672
Amount due to an associate			7,966
Creditors and accrued charges			52,190
Bank borrowings			381,884
Deferred tax liabilities			76,265
Consolidated liabilities			2,069,778

At 31 December 2012

	Property development	Hospital	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	1,002,669	1,655,040	2,657,709
Interests in associates			16,119
Property, plant and equipment			1,538
Other receivables			2,759
Amounts due from related companies			15,283
Pledged bank deposits			88,592
Bank balances and cash			394,752
Consolidated assets			3,176,752
Segment liabilities	757,897	801,183	1,559,080
Amount due to an associate			8,060
Creditors and accrued charges			159,813
Bank borrowings			448,977
Deferred tax liabilities			75,520
Consolidated liabilities			2,251,450

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, interests in associates, certain other receivables and prepayments, amounts due from related companies pledged bank deposits and bank balances and cash.

- all liabilities are allocated to operating and reportable segments other than certain other payables and accruals, amount due to an associate, consideration payable as acquisition of additional interest in a subsidiary certain bank borrowings and deferred taxation.

Other segment information

For the year ended 31 December 2010

Continuing operations

	Property development	**Hospital**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts charged (credited) included in the measure of segment results or segment assets				
Interest income	–	–	(1,768)	(1,768)
Finance costs	6,714	7,392	8,438	22,544
Depreciation of property, plant and equipment	455	19,460	568	20,483
Additions to property, plant and equipment	2,247	1,323,330	487	1,326,064
Release of prepared lease payments	784	627	–	1,411
Amortisation of intangible assets	–	3,136	–	3,136

For the year ended 31 December 2011

Continuing operations

	Property development	**Hospital**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts charged (credited) included in the measure of segment results or segment assets				
Interest income	–	–	(7,409)	(7,409)
Finance costs	14,739	30,779	23,620	69,138
Depreciation of property, plant and equipment	774	56,279	724	57,777
Additions to property, plant and equipment	4,595	139,468	59	144,122
Gain on disposal of property, plant and equipment	(350)	(16)	–	(366)
Impairment loss recognised on debtors	–	1,420	–	1,420
Release of prepaid lease payments	1,646	1,317	–	2,963
Amortisation of intangible assets	–	6,580	–	6,580

For the year ended 31 December 2012

Continuing operations

	Property development *HK$'000*	**Hospital** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts charged (credited) included in the measure of segment results or segment assets				
Interest income	–	–	(8,072)	(8,072)
Finance costs	17,114	55,430	22,548	95,092
Depreciation of property, plant and equipment	1,257	72,659	872	74,788
Additions to property, plant and equipment	2,197	73,748	2,722	78,667
Loss on disposal of property, plant and equipment	–	566	–	566
Impairment loss recognised on debtors	1,386	3,849	–	5,235
Release of prepaid lease payments	1,722	1,322	–	3,044
Amortisation of intangible assets	–	6,132	–	6,132

The Target Group's continuing operations are located in the PRC and all the Target Group's revenue are generated in the PRC. The non-current assets of the Target Group are also located in the PRC.

No single customer contributed over 10% of the total revenue from continuing operations during the Relevant Periods.

9. OTHER INCOME

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Bank interest income	1,768	7,409	8,072
Government grants *(note)*	12,623	1,118	4,513
Donation income	762	2,489	1,434
Others	747	1,748	1,902
	15,900	12,764	15,921

Note: The amount represented unconditional government grants granted to encourage the Target Group's hospital operation in Nanjing.

10. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Gain (loss) on disposal of property, plant and equipment	–	366	(566)
Impairment loss recognised on debtors	–	(1,420)	(5,235)
	–	(1,054)	(5,801)

11. FINANCE COSTS

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Interest on:			
– bank borrowings wholly repayable within five years	15,187	76,691	90,666
– bank borrowings wholly repayable after five years	10,591	–	–
– finance leases	1,031	3,283	6,780
Loan arrangement fee	–	–	9,861
Less: Amounts capitalised	(4,265)	(10,836)	(2,354)
	22,544	69,138	104,953

During the Relevant Periods, interest expenses arising on specific loans were capitalised in properties under development for sale and buildings included in property, plant and equipment. In addition, borrowing costs capitalised arose on the general borrowing pool are calculated by applying a capitalisation rate of 3.34%, 7.49% and 7.78% per annum to expenditure on qualifying assets during the years ended 31 December 2010, 2011 and 2012.

12. TAX (CHARGE) CREDIT

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Enterprise Income Tax ("EIT") in the PRC	(769)	(644)	–
LAT in the PRC	(5,129)	(834)	–
Deferred tax credit *(note 33)*	2,886	3,994	1,486
	(3,012)	2,516	1,486

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries was 25% during the Relevant Periods.

Pursuant to relevant laws and regulations in the PRC, Jiatai Tongren is exempted from PRC EIT for the two years starting from their first profit-making year (i.e. 31 December 2008), followed by a 50% tax relief for the next three years.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

Tax (charge) credit for the Relevant Periods can be reconciled to the loss before taxation from continuing operations per the consolidated statement of comprehensive income as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(27,353)	(101,943)	(154,834)
Taxation at the PRC EIT rate of 25%	6,838	25,486	38,709
Tax effect of expenses not deductible for tax purpose	(5,020)	(5,572)	(1,681)
Tax effect of tax losses recognised	(6,104)	(20,949)	(36,770)
Tax effect of utilisation of tax losses/ deductible temporary differences previously not recognised	5,121	4,176	1,228
LAT	(5,129)	(834)	–
Income tax effect of LAT	1,282	209	–
Tax (charge) credit for the year	(3,012)	2,516	1,486

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year has been arrived at after charging:			
Directors' remuneration	–	–	–
Staff costs			
Salaries and other benefits	48,266	122,447	165,203
Retirement benefits scheme contribution	4,579	11,416	15,402
	52,845	133,863	180,605
Auditor's remuneration	207	217	298
Depreciation for property, plant and equipment	20,483	57,777	74,788
Release of prepaid lease payments	1,411	2,963	3,044
Amortisation of intangible assets (included in cost of sales)	3,136	6,580	6,132
Operating lease rentals in respect of land and buildings (included in cost of sales)	982	1,979	1,628
Cost of inventories recognised as expenses (included in cost of sales)	32,050	109,182	163,365
Cost of properties for sale (included in cost of sales)	109,853	354,489	32,265

14. DISCONTINUED OPERATIONS

During the year ended 31 December 2011, management of Jiatai Tongren decided to cease the construction operation. Thus, construction segment is presented as discontinued operation during the Relevant Periods.

In January 2012, the Target Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of Beijing Tongren Property, which carried out all of the Target Group's property management business under the property management segment. The disposal was completed on 31 March 2012, on which date control of Beijing Tongren Property was passed to the acquirer (see note 35(b)).

The profit (loss) during the Relevant Periods from the discontinued operations is analysed as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) of discontinued operations	10,952	34,503	(3,314)
Loss on disposal of subsidiaries	–	–	(3,490)
Total	10,952	34,503	(6,804)
Profit (loss) for the year from discontinued operation attributable to:			
Owners of Jiatai Tongren	12,316	37,679	(4,027)
Non-controlling interests	(1,364)	(3,176)	(2,777)
	10,952	34,503	(6,804)

The result of the construction and property management segments for the Relevant Periods, which have been included in the consolidated statement of comprehensive income, were as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	155,225	97,235	17,135
Cost of sales	(145,778)	(88,624)	(19,226)
Gross profit (loss)	9,447	8,611	(2,091)
Other income	2,712	28,440	4
Administrative expenses	(1,207)	(2,548)	(1,227)
Profit (loss) for the year	10,952	34,503	(3,314)
Profit (loss) for the year attributable to:			
Owners of Jiatai Tongren	12,316	37,679	(1,961)
Non-controlling interests	(1,364)	(3,176)	(1,353)
	10,952	34,503	(3,314)

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	(7)	(5)	–
Staff costs			
Salaries and other benefits	14,581	37,817	11,449
Retirement benefits scheme contribution	2,219	5,351	1,682
	16,800	43,168	13,131
Depreciation of property, plant and equipment	77	182	47
Operating lease rental in respect of land and building	190	137	119
Interest income from overdue debtors *(Note a)*	–	(28,429)	–
Compensation income from contractor's breach of contract *(Note b)*	(2,575)	–	–

Notes:

(a) During the Relevant Periods, the trade receivables due from the customer of the construction segment were past due for a long time. During the year ended 31 December 2011, the customer agreed to pay interest of approximately HK$28,429,000 on the past due balance to the Target Group.

(b) During the year ended 31 December 2009, a sub-contractor of the construction segment breached the terms of the construction agreement with the Target Group. Based on the settlement agreement, among other terms the sub-contractor compensated the Target Group of HK$2,575,000 during the year ended 31 December 2010. The sub-contractor is a related company of the Target Group as it is controlled and beneficially owned by a director of Jiatai Tongren.

Cash inflow/outflow from discontinued operations disclosed as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Net cash (outflow) inflow for operating activities	(318,928)	(1,589)	218,181
Net cash inflow (outflow) for investing activities	4,119	(122)	2,282
Net cash inflow (outflow) for financing activities	–	8,772	(1,754)

The carrying amount of the assets and liabilities of Beijing Tongren Property at the date of disposal are disclosed in note 35(b).

15. DIVIDENDS AND LOSS PER SHARE

No dividend was paid or declared by Jiatai Tongren during the Relevant Periods.

No loss per share information is presented as its inclusion, for purpose of this report, is not meaningful.

16. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Construction in progress HK$'000	Buildings HK$'000	Computer and medical equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2010	–	2,285	889	–	–	2,715	5,889
Exchange differences	–	101	26	–	–	79	206
Additions	183,427	741	63,567	2,456	1,068	316	251,575
Acquisition of subsidiaries	545,243	392,635	128,115	11	6,591	2,612	1,075,207
Transfer	(557,917)	557,917	–	–	–	–	–
Disposals	–	–	(337)	–	(182)	(16)	(535)
Disposal of subsidiaries	–	(2,352)	(93)	–	–	(47)	(2,492)
Deficit on revaluation	–	(10,820)	–	–	–	–	(10,820)
At 31 December 2010	170,753	940,507	192,167	2,467	7,477	5,659	1,319,030
Exchange differences	8,162	45,466	9,185	117	358	270	63,558
Additions	86,279	7,652	43,514	1,442	3,847	1,806	144,540
Transfer	(123,045)	123,045	–	–	–	–	–
Disposals	–	–	(5,836)	(1,450)	(273)	(1,219)	(8,778)
Deficit on revaluation	–	(32,915)	–	–	–	–	(32,915)
At 31 December 2011	142,149	1,083,755	239,030	2,576	11,409	6,516	1,485,435
Exchange differences	1,674	13,281	2,816	30	134	77	18,012
Additions	19,728	10,261	41,569	187	4,709	2,213	78,667
Transfer	(18,376)	18,376	–	–	–	–	–
Disposals	–	–	(1,066)	–	(177)	(355)	(1,598)
Disposal of subsidiaries	–	–	(508)	–	–	(284)	(792)
Deficit on revaluation	–	(43,402)	–	–	–	–	(43,402)
At 31 December 2012	145,175	1,082,271	281,841	2,793	16,075	8,167	1,536,322
Consisting:							
At cost	170,753	–	192,167	2,467	7,477	5,659	378,523
At valuation	–	940,507	–	–	–	–	940,507
At 31 December 2010	170,753	940,507	192,167	2,467	7,477	5,659	1,319,030
At cost	142,149	–	239,030	2,576	11,409	6,516	401,680
At valuation	–	1,083,755	–	–	–	–	1,083,755
At 31 December 2011	142,149	1,083,755	239,030	2,576	11,409	6,516	1,485,435
At cost	145,175	–	281,841	2,793	16,075	8,167	454,051
At valuation	–	1,082,271	–	–	–	–	1,082,271
At 31 December 2012	145,175	1,082,271	281,841	2,793	16,075	8,167	1,536,322

	Construction in progress HK$'000	Buildings HK$'000	Computer and medical equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION							
At 1 January 2010	–	–	495	–	–	807	1,302
Exchange differences	–	238	172`	2	18	38	468
Charge for the year	–	10,582	8,223	114	910	731	20,560
Eliminated on disposals	–	–	(101)	–	(117)	(2)	(220)
Eliminated on revaluation	–	(10,820)	–	–	–	–	(10,820)
Eliminated on disposal of subsidiaries	–	–	(43)	–	–	(10)	(53)
At 31 December 2010	–	–	8,746	116	811	1,564	11,237
Exchange differences	–	1,061	806	13	69	97	2,046
Charge for the year	–	31,854	22,581	435	1,788	1,301	57,959
Eliminated on disposals	–	–	(2,823)	(92)	(69)	(902)	(3,886)
Eliminated on revaluation	–	(32,915)	–	–	–	–	(32,915)
At 31 December 2011	–	–	29,310	472	2,599	2,060	34,441
Exchange differences	–	596	397	6	35	26	1,060
Charge for the year	–	42,806	27,793	425	2,590	1,221	74,835
Eliminated on disposals	–	–	(342)	–	(96)	(338)	(776)
Eliminated on disposal of subsidiaries	–	–	(171)	–	–	(7)	(178)
Eliminated on revaluation	–	(43,402)	–	–	–	–	(43,402)
At 31 December 2012	–	–	56,987	903	5,128	2,962	65,980
CARRYING VALUES							
At 31 December 2010	170,753	940,507	183,421	2,351	6,666	4,095	1,307,793
At 31 December 2011	142,149	1,083,755	209,720	2,104	8,810	4,456	1,450,994
At 31 December 2012	145,175	1,082,271	224,854	1,890	10,947	5,205	1,470,342

Jiatai Tongren

	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST			
At 1 January 2010	799	2,668	3,467
Exchange differences	23	78	101
Additions	30	–	30
Disposals	(156)	–	(156)
At 31 December 2010	696	2,746	3,442
Exchange differences	33	132	165
Disposals	(529)	(543)	(1,072)
At 31 December 2011	200	2,335	2,535
Exchange differences	2	28	30
Additions	6	–	6
At 31 December 2012	208	2,363	2,571
DEPRECIATION			
At 1 January 2010	456	798	1,254
Exchange differences	16	28	44
Charge for the year	135	256	391
Elimination on disposals	(100)	–	(100)
At 31 December 2010	507	1,082	1,589
Exchange differences	26	56	82
Charge for the year	98	261	359
Elimination on disposals	(502)	(263)	(765)
At 31 December 2011	129	1,136	1,265
Exchange differences	1	24	25
Charge for the year	20	212	232
At 31 December 2012	150	1,372	1,522
CARRYING VALUES			
At 31 December 2010	189	1,664	1,853
At 31 December 2011	71	1,199	1,270
At 31 December 2012	58	991	1,049

Property, plant and equipment other than construction in progress are depreciated on its cost or fair value less their residual values on a straight-line basis at the following rates per annum:

Buildings	4-5%
Computer and medical equipment	10%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The buildings of the Target Group are situated in the PRC and located on the leasehold land under medium-term leases. The construction in progress represented hospital buildings under construction which are situated in the PRC.

If the buildings had not been revalued, they would have been included in the Financial Information at historical cost less accumulated depreciation of HK$940,507,000, HK$1,083,755,000 and HK$1,082,271,000 as at 31 December 2010, 2011 and 2012, respectively.

The Target Group have not obtained the building certificates for the buildings with carrying value of approximately HK$940,507,000 HK$1,083,755,000 and HK$1,082,271,000 as at 31 December 2010, 2011 and 2012, respectively.

The Target Group pledged buildings with carrying value of approximately HK$940,507,000, HK$1,083,755,000 and HK$584,314,000 and construction in progress with carrying value of approximately HK$169,940,000, HK$138,434,000 and nil to secure general banking facilities granted to the Target Group as at 31 December 2010, 2011 and 2012, respectively.

17. PREPAID LEASE PAYMENTS

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
The Target Group's prepaid lease payments comprise:			
Medium-term leasehold land in the PRC	126,571	129,606	128,084
Analysed for reporting purposes as:			
Non-current assets	123,695	126,592	125,034
Current assets	2,876	3,014	3,050
	126,571	129,606	128,084

The prepaid lease payments of the Target Group are held under medium-term lease in the PRC and amortised over the terms of the lease from 40 to 45 years.

The Target Group pledged land use rights with carrying value of approximately HK$95,505,000, HK$97,771,000 and HK$94,776,000 to secure general banking facilities granted to the Target Group as at 31 December 2010, 2011 and 2012, respectively.

18. INTANGIBLE ASSETS

	Hospital operating licenses *HK$'000*	Trademark *HK$'000*	Total *HK$'000*
COST			
At 1 January 2010	–	–	–
Acquisition of subsidiaries	56,040	17,811	73,851
At 31 December 2010	56,040	17,811	73,851
Exchange differences	2,678	852	3,530
At 31 December 2011	58,718	18,663	77,381
Exchange differences	692	220	912
At 31 December 2012	59,410	18,883	78,293
AMORTISATION			
At 1 January 2010	–	–	–
Amortisation	2,749	387	3,136
Exchange differences	54	6	60
At 31 December 2010	2,803	393	3,196
Amortisation	5,773	807	6,580
Exchange differences	232	34	266
At 31 December 2011	8,808	1,234	10,042
Amortisation	5,307	825	6,132
Exchange differences	115	15	130
At 31 December 2012	14,230	2,074	16,304
CARRYING VALUES			
At 31 December 2010	53,237	17,418	70,655
At 31 December 2011	49,910	17,429	67,339
At 31 December 2012	45,180	16,809	61,989

The trademark and hospital operating licenses have finite useful lives. Hospital operating licenses are amortised on a straight-line basis over 10 years and trademark is amortised on a straight-line basis over 30 years.

19. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2010	–
Acquisition of subsidiaries *(note 36)*	16,396
At 31 December 2010	16,396
Exchange difference	784
At 31 December 2011	17,180
Exchange difference	202
At 31 December 2012	17,382

For the purposes of impairment testing, goodwill has been allocated to the CGU of hospital operations. The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-years period and discount rate of 15.9%, 16.1% and 16.29% as at year ended 31 December 2010, 2011 and 2012. The cash flows beyond the 5-years period are extrapolated having a steady 3% growth rate for all value in use calculation. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. No impairment on goodwill is noted. Management considered there is no impairment on goodwill as at 31 December 2010, 2011 and 2012.

20. INTERESTS IN ASSOCIATES

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in unlisted associates	15,205	15,931	16,119

The Target Group had interest in the following associates:

Name of entity	Business structure	Country of establishment	Proportion of registered capital held by the Target Group As at 31 December 2010	2011	2012	Proportion of voting power held As at 31 December 2010	2011	2012	Principal activity
焦作同仁醫療產業投資有限公司	Limited liability company	PRC	21.67%	21.67%	21.67%	21.67%	21.67%	21.67%	Hospital operation started in year 2013
大連同仁置業有限公司 Dalian Tongren Property Company Limited ("Dalian Tongren")	Limited liability company	PRC	20%	20%	–	20%	20%	–	Inactive

During the Relevant Periods, the Target Group did not contribute its investment cost of RMB10,000,000 into Dalian Tongren which had been inactive since incorporation. Dalian Tongren was dissolved in July 2012. In the opinion of the directors of Jiatia Tongren, share of the associates' results are considered insignificant during the Relevant Periods.

The summarised financial information in respect of the Target Group's associate during the Relevant Periods is set out below:

	As at 31 December 2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Total assets	74,490	125,350	126,827
Total liabilities	(4,314)	(51,821)	(52,443)
Net assets	70,176	73,529	74,384
Target Group's share of net assets of associates	15,205	15,931	16,119
Revenue	–	–	–
Result for the year	–	–	–
Target Group's share of result and other comprehensive income of associates for the year	–	–	–

21. INVENTORIES

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Medical consumables	4,627	4,574	6,570
Medicines	8,080	11,728	9,926
	12,707	16,302	16,496

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At the beginning of the year	117,371	454,030	318,103
Additions	77,145	157,909	482,508
Additions through acquisition of subsidiaries	493,096	–	–
Disposal of subsidiaries	(124,690)	–	–
Exchange adjustments	1,041	21,700	3,747
Transfer to properties held for sale	(109,933)	(315,536)	–
At the end of the year	454,030	318,103	804,358
Properties under development for sales of which:			
– expected to be realised within 12 months	220,811	–	400,250
– expected to be realised over 12 months	233,219	318,103	404,108
	454,030	318,103	804,358

The properties under development for sale of the Target Group are situated in the PRC and located on the leasehold lands under medium-term leases.

The properties under development for sale with carrying amount of approximately HK$70,488,000, HK$81,187,000 and HK$82,143,000 were pledged to secure certain banking facilities granted to the Target Group as at 31 December 2010, 2011 and 2012, respectively.

23. PROPERTIES HELD FOR SALE

The Target Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost. In the opinion of the directors of Jiatai Tongren, properties held for sales will be realised within twelve months.

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

The Target Group and Jiatai Tongren

Contracts in progress at the end of the reporting period:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	293,826	–	–
Less: Progress billings	(267,354)	–	–
Total	26,472	–	–

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
The Target Group			
Trade receivables	198,755	278,109	43,036
Deposits for acquisition of land use rights for property development *(note)*	–	67,718	–
Prepayments	9,994	6,299	16,901
Receivable on the disposals of subsidiaries	247,178	–	–
Amounts due from related companies	22,790	18,045	15,283
Prepaid business taxes and other PRC taxes	13,837	1,680	27,650
Other receivables	73,527	58,937	5,708
	566,081	430,788	108,578

Note: As at 31 December 2011, there is a commitment to acquire of land use rights for property development with remaining payment of HK$264,327,000. The amount is paid during the year ended 31 December 2012. There is no further commitment on acquisition of land use rights as at 31 December 2012.

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Jiatai Tongren			
Trade receivables	177,000	229,459	–
Receivable on the disposals of subsidiaries	247,178	–	–
Other receivables	3,011	6,220	26
	427,189	235,679	26

Trade receivables

The customers of the Target Group's hospital operations are either settled by cash, credit card or medical insurance. For credit card payment, the banks usually pay the Target Group 7 days after the transaction date. The medical insurance companies usually pay the Target Group 90 days after the transaction date. The normal credit period granted by the Target Group to its customers of the property management business is 30 days and the customer of construction business is 180 days.

Consideration in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

The Target Group

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	47,312	65,916	26,097
31 – 60 days	4,669	12,884	11,686
61 – 90 days	1,671	5,264	5,253
91 – 365 days	145,103	108,788	–
Over 1 year but not exceeding 2 years	–	85,257	–
	198,755	278,109	43,036

Jiatai Tongren

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	38,388	51,894	–
91 – 365 days	138,612	92,307	–
Over 1 year but not exceeding 2 years	–	85,257	–
	177,000	229,458	–

The Target Group and Jiatai Tongren have policy for recognition of impairment which is based on the evaluation of collectability and age analysis of accounts and on management's judgment including creditworthiness and the past collection history of each customer.

Included in the Target Group's trade receivable with aggregate carrying amount of HK$145,103,000 and HK$194,045,000 and Jiatai Tongren's trade receivable with aggregate carrying amount of HK$138,612,000 and HK$194,045,000 which are past due as at 31 December 2010 and 2011 respectively for which the Target Group and Jiatai Tongren have not provided for impairment loss because Jiatai Tongren agreed a repayment timetable with the counterparty and the counterparty is able to settle its outstanding receivable based on the timetable. The Target Group and Jiatai Tongren do not hold any collateral over these balances. The average age of these receivables is 185 days and 535 days as at 31 December 2010 and 2011 respectively.

Ageing of trade receivables which are past due but not impaired

	As at 31 December	
	2010	**2011**
	HK$'000	*HK$'000*
The Target Group		
91 – 365 days	145,103	108,788
Over 1 year but not exceeding 2 years	–	85,257
Total	145,103	194,045
Jiatai Tongren		
91 – 365 days	138,612	108,788
Over 1 year but not exceeding 2 years	–	85,257
Total	138,612	194,045

Receivable on disposals of subsidiaries

Amounts represent considerations receivable from independent third parties upon the disposal of land use rights in Lianyungang through disposal of subsidiaries before the Relevant Periods. The amount was fully settled in August 2011.

Amounts due from related companies

Amounts due from related parties of HK$22,790,000, HK$18,045,000 and HK$15,283,000 as at 31 December 2010, 2011 and 2012, respectively, were receivables from a company in which a director of Jiatai Tongren has beneficial interest and control. The amount were unsecured, non-interest bearing and repayable on demand. During the year ended 31 December 2010, 2011 and 2012, the maximum amounts outstanding from this related company were HK$22,790,000, HK$22,790,000 and HK$18,045,000, respectively and nil balance as at 1 January 2010.

26. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The Target Group's bank deposits of HK$224,902,000, HK$245,643,000 and HK$88,592,000 were pledged to secure the short-term general banking facilities granted to Target Group and Jiatai Tongren's bank deposits of HK$91,813,000, HK$165,824,000 and nil were pledged to secure the short-term general banking facilities granted to Jiatai Tongren as at 31 December 2010, 2011 and 2012, respectively. The deposits carried interest at market rates of average of 0.50% per annum, 0.50% per annum and 0.50% per annum as at 31 December 2010, 2011 and 2012 respectively.

Restricted bank deposits

In accordance with the applicable government regulations, HK$5,495,000, HK$22,343,000 and HK$36,378,000 as at 31 December 2010, 2011 and 2012, respectively, were placed in bank deposits which could only be used in the designated property development projects. The deposits carried interest at average market rates of 0.50% per annum, 0.50% per annum and 0.50% per annum as at 31 December 2010, 2011 and 2012 respectively.

Bank balances and cash

Bank balances and cash comprise cash and bank balances held by the Target Group and Jiatai Tongren with original maturity of three months or less and carried interest at average market rates of 0.50% per annum, 0.50% per annum and 0.50% per annum as at 31 December 2010, 2011 and 2012 respectively.

27. CREDITORS AND ACCRUED CHARGES

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
The Target Group			
Trade payables	460,915	300,914	252,849
Accrued construction costs on properties under development for sale	35,880	51,025	14,044
Construction costs payable for hospital buildings classified as property, plant and equipment	169,089	118,433	29,870
Accrued compensation for late delivery of properties held for sales	32,520	15,817	10,905
Other payables and accruals	75,486	92,616	82,949
	773,890	578,805	390,617
Jiatai Tongren			
Trade payables	221,128	104,129	35,826
Other payables and accruals	2,024	3,817	1,158
	223,152	107,946	36,984

Trade payables

Trade payables of hospital operations principally comprise amounts outstanding for trade purchases of medicines and consumables. Trade payables to construction contractors for construction services and property development operations comprise construction costs and other project related expenses.

The normal credit period taken for trade purchases and for construction contract payable is 30 – 60 days. An aged analysis of the Target Group's trade payables at the end of the reporting period presented based on the invoice date is as follows:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
The Target Group			
0 – 30 days	180,232	101,599	63,756
31 – 60 days	47,919	1,194	4,793
61 – 90 days	24,786	1,116	482
91 – 365 days	132,435	113,485	92,588
Over 1 year but exceeding 2 years	75,543	83,520	19,994
Over 2 years but exceeding 5 years	–	–	71,236
	460,915	300,914	252,849
Jiatai Tongren			
0 – 30 days	123,764	–	–
91 – 365 days	21,821	20,609	–
Over 1 year but exceeding 2 years	75,543	83,520	–
Over 2 years but exceeding 5 years	–	–	35,826
	221,128	104,129	35,826

28. RECEIPTS IN ADVANCE

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Other advance *(note)*	–	9,191	–
Receipts in advance	25,243	22,480	22,259
	25,243	31,671	22,259

Note: During the year ended 31 December 2011, the purchaser of Beijing Tongren Property advanced HK$9,191,000 (equivalent to RMB7,500,000) to settle trade payables of Beijing Tongren Property. Details of the disposals are set out in note 35.

29. CONSIDERATION PAYABLE ON ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

Jiatai Tongren acquired additional 27.5% equity interests in 同仁醫療產業集團有限公司 Tongren Healthcare Industry Group Company Limited, an indirectly held subsidiary of Jiatai Tongren, from the non-controlling shareholder at a consideration of RMB110,000,000 (equivalent to HK$136,392,000), of which RMB40,000,000 was settled by cash, in April 2012. The remaining consideration will be settled by two instalments of RMB35,000,000 (equivalent to HK$43,395,000) by 31 March 2013 and RMB35,000,000 (equivalent to HK$43,397,000) by 31 March 2014. The amount is unsecured and interest-free.

30. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand.

31. BANK BORROWINGS

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
The Target Group			
Secured	584,444	1,040,830	1,038,810
Unsecured	192,983	202,207	135,665
	777,427	1,243,037	1,174,475
Jiatai Tongren			
Secured repayable within one year	79,532	316,320	324,985
Unsecured repayable within one year	40,936	–	–
	120,468	316,320	324,985
The Target Group			
The bank borrowings are repayable as follows:			
Within one year	467,836	767,914	1,016,137
Over one year but not exceeding two years	70,175	294,795	–
Over two years but not exceeding five years	70,175	180,328	158,338
Over five years	169,241	–	–
	777,427	1,243,037	1,174,475
Less: Amount due within one year shown under current liabilities	(467,836)	(767,914)	(1,016,137)
Amount shown under non-current liabilities	309,591	475,123	158,338

The weighted average effective interest rates per annum (which are also equal to contracted interest rates) of the variable rate bank borrowings are as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
The Target Group	5.18%	8.45%	8.20%
Jiatai Tongren	5.31%	6.56%	6.56%

The variable rate borrowings represent the benchmark borrowing rate quoted by the People's Bank of China（中國人民銀行同期貸款基準利率）plus a spread.

The Target Group's bank borrowings of approximately HK$231,579,000, HK$294,118,000 and HK$359,378,000 were guaranteed by the related companies of the Target Group as at 31 December 2010, 2011 and 2012, respectively. A director of Jiatai Tongren has beneficial and controlling interests in these related companies.

The Target Group's bank borrowings of approximately HK$276,842,000, HK$250,858,000 and HK$158,338,000 were secured by the buildings and construction in progress (both included in property, plant and equipment) of the Target Group (as set out in note 42), as at 31 December 2010, 2011 and 2012, respectively.

The remaining Target Group's bank borrowings during the Relevant Periods were secured by the other pledge of assets as set out in note 42.

Jiatai Tongren's bank borrowings of approximately HK$79,532,000, HK$63,725,000 and HK$204,588,000 were guaranteed by the related companies of Jiatai Tongren, as at 31 December 2010, 2011 and 2012, respectively. A director of Jiatai Tongren has beneficial and controlling interests in these related companies. The remaining Jiatai Tongren's bank borrowings were secured by the pledged bank deposits.

32. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purpose as:			
Current liabilities	20,329	25,082	31,196
Non-current liabilities	14,510	51,500	60,651
	34,839	76,582	91,847

The Target Group leased certain of its medical equipments under finance leases. The lease term is three to six years. Interest rates underlying all obligations under finance leases are fixed at from 3% to 7% per annum. No arrangement was entered into for contingent rental payments.

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases:						
Within one year	21,750	31,009	38,233	20,329	25,082	31,196
In more than one year but not more than two years	19,022	23,747	31,406	12,542	20,571	26,008
In more than two years but not more than five years	2,548	39,923	42,689	1,968	29,091	34,643
In more than five years	–	2,777	–	–	1,838	–
	43,320	97,456	112,328	34,839	76,582	91,847
Less: Future finance charges	(8,481)	(20,874)	(20,481)	N/A	N/A	N/A
Present value of lease obligations	34,839	76,582	91,847	34,839	76,582	91,847
Less: Amount due for settlement within one year (shown under current liabilities)				(20,329)	(25,082)	(31,196)
Amount due for settlement after one year				14,510	51,500	60,651

The Target Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the Relevant Periods.

	Fair value adjustment on business combination
	HK$'000
At 1 January 2010	–
Acquisition of subsidiaries	79,604
Credit to profit or loss for the year *(note 12)*	(2,886)
Exchange adjustment	(54)
At 31 December 2010	76,664
Credit to profit or loss for the year *(note 12)*	(3,994)
Exchange adjustment	3,595
At 31 December 2011	76,265
Credit to profit or loss for the period *(note 12)*	(1,486)
Exchange adjustment	741
At 31 December 2012	75,520

Jiatai Tongren and its subsidiaries had unused tax losses of approximately HK$32,791,000, HK$116,587,000 and HK$263,667,000 and deductible temporary difference of HK$32,520,000, HK$15,817,000 and HK$10,905,000 available for offset against future profit as at 31 December 2010, 2011 and 2012, respectively. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The expiry of unused tax losses was as follows:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Year 2015	32,791	32,791	32,791
Year 2016	–	83,796	83,796
Year 2017	–	–	147,080
	32,791	116,587	263,667

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Jiatai Tongren and its subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the Jiatai Tongren's subsidiaries amounting to HK$37,237,000, HK$32,715,000 and HK$14,056,000 as at 31 December 2010, 2011 and 2012 as Jiatai Tongren is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34. PAID-UP CAPITAL

The Target Group and Jiatai Tongren

	US$'000	*HK$'000 (equivalent)*
Registered and fully paid:		
At 1 January 2010	54,559	424,610
Increase in capital	30,077	234,000
At 31 December 2010 and 31 December 2011	84,636	658,610
Increase in capital	32,154	250,036
At 31 December 2012	116,790	908,646

35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Lianyungang Jiatai Huayuan Property Company Limited ("Lianyungang Huayuan")

On 31 January 2010, the Target Group disposed of its entire equity interests in Lianyungang Huayuan to an independent third party at zero consideration. The net assets of Lianyungang Huayuan at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	2,439
Properties under development for sales	124,690
Other receivables and prepayments	18,380
Bank balances and cash	14,848
Bank borrowings	(40,165)
Advance from the purchaser	(113,977)
Creditors and accrued charges	(6,215)
Gross/loss on disposal of a subsidiary	–
Cash outflow arising on disposal:	
Cash consideration	–
Less: Bank balances and cash disposed of	(14,848)
	(14,848)

Upon disposal of Lianyungang Huayuan, the accumulated exchange differences of Lianyungang Huayuan arising on translation to presentation currency of HK$104,000 is transferred from translation reserve to retained profits.

Lianyungang Huayuan contributed no revenue to the Target Group and loss of approximately HK$1,083,000 to the Target Group's loss for the year ended 31 December 2010.

(b) Disposal of Beijing Tongren Property

As referred to in note 14, on 31 March 2012, the Target Group disposed of its entire equity interests in Beijing Tongren Property to an independent third party at zero consideration. The Target Group discontinued its property management business upon the disposal of Beijing Tongren Property.

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	614
Trade receivables	12,455
Other receivables and prepayments	1,175
Bank balances and cash	4,083
Advance from the purchaser	(9,282)
Creditors and accrued charges	(5,555)
Loss on disposal of a subsidiary	3,490
Cash outflow arising on disposal:	
Cash consideration	–
Less: Bank balances and cash disposed of	(4,083)
	(4,083)

Upon disposal of Beijing Tongren Property, the accumulated exchange differences of Beijing Tongren Property arising on translation to presentation currency of HK$805,000 is transferred from translation reserve to retained profits.

The impact of Beijing Tongren Property on the Target Group's results and cash flows during the Relevant Periods is disclosed in note 14.

36. ACQUISITION OF SUBSIDIARIES

On 30 June 2010, the Target Group entered into a sale and purchase agreement with independent third parties to acquire 81.63% equity interest of Yang Pu Zhao He for a total consideration of RMB200,000,000 (approximately HK$233,918,000) by cash. This acquisition has been accounted for using the acquisition method. Yang Pu Zhao He is an investment holding company and its subsidiaries are engaged in property development and operations of hospitals in the PRC. The acquisition is completed on 30 June 2010.

Acquisition-related costs amounting to approximately HK$1,145,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2010, within the administrative expenses line item in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	1,075,207
Prepaid lease payments	128,009
Intangible assets	73,851
Interests in associates	15,205
Inventories	9,822
Properties under development for sale	493,096
Properties held for sale	93,618
Debtors, deposits and prepayments *(note)*	301,375
Pledged bank deposits	144,881
Restricted bank deposits	18,644
Bank balances and cash	33,566
Creditors and accrued charges	(648,461)
Deposits received on sales of properties	(406,433)
Receipts in advance	(22,385)
Amount due to an associate	(7,602)
Bank borrowings	(608,187)
Obligations under finance leases	(24,195)
Deferred taxation	(79,604)
Amount due to Jiatai Tongren	(175,439)
Non-controlling interests of subsidiaries held by Yang Pu Zhao He	(148,423)
	266,545

Note: The fair value of trade receivables and other receivables (included in debtors, deposits and prepayments) at the date of acquisition amounted to approximately HK$21,712,000 and HK$182,979,000, respectively, which is the same as the gross contractual amounts of trade receivables and other receivables at the date of acquisition.

Goodwill arising on acquisition:

	HK$'000
Consideration paid	233,918
Plus: Non-controlling interests *(Note)*	49,023
Less: Net assets acquired	(266,545)
Goodwill arising on acquisition	16,396

Note: The non-controlling interests are determined by proportionate share of assets acquired and liabilities recognised of Yang Pu Zhao He and its subsidiaries at the date of acquisition.

Goodwill arose in the acquisition of Yang Pu Zhao He and its subsidiaries because consideration paid for the combination effectively included amounts in relation to the benefit of expected growth in hospital operation of Target Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(233,918)
Less: Bank balances and cash acquired	33,566
	(200,352)

Yang Pu Zhao He and its subsidiaries contributed loss for the year of HK$11,430,000 and revenue of HK$270,615,000 for the year ended 31 December 2010.

Had the acquisition been completed on 1 January 2010, total group revenue (including the discontinued operations) for the year ended 31 December 2010 would have been HK$529,724,000, and loss for the year (including the discontinued operations) would have been HK$60,014,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

In determining the 'pro-forma' loss of the Target Group had Yang Pu Zhao He and its subsidiaries been acquired at the beginning of the year ended 31 December 2010, the directors have calculated the amortisation of intangible assets and release of prepaid lease payments depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

37. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments, at cost	269,006	281,863	421,575

38. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand. In the opinion of directors of Jiatai Tongren, the amounts due from subsidiaries are recoverable/payable. Management of Jiatai Tongren expected the amounts due from subsidiaries to be recovered at the end of the reporting period as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Within twelve months	308,772	497,782	496,206
More than twelve months	–	70,966	360,419
	308,772	568,748	856,625

39. RESERVES OF JIATAI TONGREN

	Statutory surplus reserve	Translation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	8,506	32,418	118,282	159,206
Loss for the year	–	–	(43,558)	(43,558)
Other comprehensive income for the year	–	21,821	–	21,821
Total comprehensive income for the year	–	21,821	(43,558)	(21,737)
At 31 December 2010	8,506	54,239	74,724	137,469
Profit for the year	–	–	29,393	29,393
Other comprehensive income for the year	–	38,457	–	38,457

	Statutory surplus reserve	Translation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total comprehensive income for the year	–	38,457	29,393	67,850
At 31 December 2011	8,506	92,696	104,117	205,319
Profit for the year	–	–	13,516	13,516
Other comprehensive income for the year	–	11,259	–	11,259
Total comprehensive income for the year	–	11,259	13,516	24,775
At 31 December 2012	8,506	103,955	117,633	230,094

40. OPERATING LEASE COMMITMENTS

The Target Group as lessee

At the end of each of the reporting period, the Target Group had contracted with landlords for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Within one year	113	78	–

41. CAPITAL COMMITMENTS

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the Financial Information – acquisition of property, plant and equipment	62,111	29,023	19,581

42. PLEDGE OF ASSETS

The following assets of the Target Group were pledged to banks to secure credit facilities during the Relevant Periods:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Pledged bank deposits	224,902	245,643	88,592
Buildings (included in the property, plant and equipment)	940,507	1,083,755	584,314
Construction in progress (included in the property, plant and equipment)	169,940	138,434	–
Prepaid lease payments	95,505	97,771	94,776
Properties under development for sale	70,488	81,187	82,143
	1,501,342	1,646,790	849,825

During the year ended 31 December 2012, the equity interests of Kunming Tongren Industrial and Kunming Tongren Hospital were pledged to bank for borrowings granted.

43. MAJOR NON-CASH TRANSACTIONS

The Target Group acquired medical equipments of approximately HK$19,649,000, HK$64,829,000 and HK$42,618,000 under finance leases during the years ended 31 December 2010, 2011 and 2012, respectively.

44. RETIREMENT BENEFITS SCHEMES

According to the relevant laws and regulations in the PRC, the Target Group are required to participate in defined contribution retirement schemes administered by the local municipal governments. The Target Group contributes funds which are calculated on certain percentage of the average employees salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Target Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

45. RELATED PARTY DISCLOSURES

(i) Related party transactions

Other than the corporate guarantees from related companies as disclosed in note 31, the Target Group had the following transactions with related companies during the Relevant Periods in which a director of Jiatai Tongren has control and beneficial interests:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
The Target Group			
Purchases of medical equipments	50,555	7,124	1,203
Compensation income from a sub-contractor *(note 14)*	2,575	–	–

(ii) Related party balances

The Target Group's balances with related parties are set out in notes 25 and 30, respectively. Jiatai Tongren's balances with related parties and subsidiaries are set out in notes 25 and 38, respectively.

(iii) Compensation of key management personnel

No emolument was paid or payable to the directors of Jiatai Tongren who are also identified as the key management personnel of the Target Group during the Relevant Periods.

B. EVENTS AFTER THE REPORTING PERIOD

On 6 March 2013, Jiatai Tongren entered into a sale and purchase agreement with an independent third party pursuant to which Jiatai Tongren agreed to dispose of entire registered capital of Lianyungang Chengtai for a consideration of RMB250,000,000 (equivalent to HK$309,981,000). On 14 April 2013, Jiatai Tongren served a notice of termination on the purchaser to terminate the agreement because the purchaser failed to pay a deposit into the joint managed account as prescribed in the agreement .

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, Jiatai Tongren or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2012.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON JIATAI TONGREN (LIANYUNGANG) HEALTHCARE INVESTMENT COMPANY LIMITED

Following the completion of the Subscription, the Company became directly interested in Jiatai Tongren representing approximately 69.52% of the entire registered capital of Jiatai Tongren.

The Target Group consists of Jiatai Tongren and its subsidiaries. Jiatai Tongren, and through its PRC subsidiaries, is engaged in the investment in and management and operation of healthcare and hospital businesses, trading of medical equipment and related supplies, property investment and development and other investments in PRC.

A. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2010

Review of Operations

For the year ended 31 December 2010, turnover (continuing and discontinued operations) of Jiatai Tongren was HK$403,607,000 and loss (continuing and discontinued operations) attributable to shareholders of Jiatai Tongren was HK$8,976,000 mainly due to the loss from its hospital operation partially set-off by profits from its property development operation and discontinued operations.

Continuing operations

For the year ended 31 December 2010, turnover (continuing operations) of Jiatai Tongren was HK$248,382,000 and loss (continuing operations) attributable to shareholders of Jiatai Tongren was HK$21,292,000 mainly due to the loss from its hospital operation partially set-off by profit from its property development operation.

Discontinued operations

For the year ended 31 December 2010, turnover (discontinued operations) of Jiatai Tongren was HK$155,225,000 and profit (discontinued operations) attributable to shareholders of Jiatai Tongren was HK$12,316,000 mainly contributed by its construction operation in urban infrastructure development in Lianyungang, the PRC and compensation income from contractor's breach of contract of HK$2,575,000. Following the substantial completion of the urban infrastructure development in Lianyungang, the PRC, this operation was discontinued in 2011.

Segmental Review

Property development

For the year ended 31 December 2010, the property development operation of Jiatai Tongren recorded a turnover of HK$130,433,000 and segment profit of HK$24,344,000 mainly contributed by its property development projects in Kunming and Nanjing, the PRC.

Hospital operation

For the year ended 31 December 2010, the hospital operation of Jiatai Tongren recorded a turnover of HK$117,949,000 and segment loss of HK$18,265,000 mainly attributed to the loss from hospital business acquired during the year and review.

Financial Review

Liquidity, financial resources and capital structure

As at 31 December 2010, the Target Group's non-current assets of 31 December 2011: of HK$1,533,744,000 consisted of property, plant and equipment of HK$1,307,793,000; prepaid lease payments of HK$123,695,000; intangible assets of HK$70,655,000; goodwill of HK$16,396,000 and interest in associates of HK$15,205,000. The Target Group's capital expenditure, daily operation and investments are mainly funded by cash generated from its operation, borrowings and shareholders' fund. As at 31 December 2010, the Target Group had net current liabilities of HK$163,565,000.

Following the acquisition of 72.5% equity interest of Yang Pu Zhao He Industry Group Limited ("Yang Pu Zhao He") in 2010, as at 31 December 2010, the total bank borrowings of the Target Group amounted to HK$777,427,000 consisting of secured bank borrowings of HK$584,444,000 and unsecured bank borrowings of HK$192,983,000. As at 31 December 2010, the Target Group's total bank borrowings consisted of bank borrowings with maturity within one year of HK$467,836,000; over one year but not exceeding two years of HK$70,175,000; over two years but not exceeding five years of HK$70,175,000 and over five years of HK$169,241,000. As at 31 December 2010, the Target Group's gearing ratio, calculated on the basis of the Target Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity was 48.1%.

As at 31 December 2010, the Target Group's share capital (registered capital) amounted to HK$659,610,000.

Charge of assets

As at 31 December 2010, the Target Group's bank deposit of HK$224,902,000; buildings (included in the property, plant and equipment) of HK$940,507,000; construction in progress (included in the property, plant and equipment) of HK$169,940,000; prepaid lease payments of HK$95,505,000 and properties under development for sales of HK$70,488,000 were pledged to banks to secure credit facilities granted to the Target Group during the year.

Capital commitment

As at 31 December 2010, the Target Group's capital expenditure contracted for but not provided in its financial information consisted of acquisition of property, plant and equipment of HK$62,111,000.

Contingent liabilities

The Target Group did not have any contingent liabilities during the year.

Significant Investments, Material Acquisition and Disposal

During the year ended 31 December 2010, the Target Group entered into a sale and purchase agreement with independent third parties to acquire 72.5% equity interest of Yang Pu Zhao He for a total consideration of RMB200,000,000 (approximately HK$233,918,000). Yang Pu Zhao He is an investment holding company and its subsidiaries are engaged in property development and operation of hospitals in the PRC.

In January 2010, the Target Group disposed of its entire equity interests in Lianyungang Huayuan Property Company Limited to an independent third party at zero consideration.

Foreign Exchange Fluctuation

The Target Group's operations are mainly located in the PRC and its assets, liabilities and transactions were mainly denominated in Renminbi. The Target Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Employees

As at 31 December 2010, the Target Group had 1,594 employees with total staff costs of HK$52,845,000. The Target Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

B. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2011

Review of Operations

For the year ended 31 December 2011, turnover (continuing and discontinued operations) of Jiatai Tongren was HK$851,607,000 (2010: HK$403,607,000) and loss (continuing and discontinued operations) attributable to shareholders of Jiatai Tongren was HK$26,011,000 (2010: HK$8,976,000) mainly due to the loss from hospital operation and absence of profit contribution from property development operation partially set-off by profit from discontinued operations.

Continuing operations

For the year ended 31 December 2011, turnover (continuing operations) of Jiatai Tongren was HK$754,372,000 (2010: HK$248,382,000) and loss (continuing operations) attributable to shareholders of Jiatai Tongren was HK$63,690,000 (2010: HK$21,292,000) mainly due to the loss from its hospital operation and absence of profit contribution from property development operation.

Discontinued operations

For the year ended 31 December 2011, turnover (discontinued operations) of Jiatai Tongren was HK$97,235,000 (2009: HK$155,225,000) and profit (discontinued operations) attributable to shareholders of Jiatai Tongren was HK$37,679,000 (2010: HK$12,316,000) mainly contributed by its construction operation in urban infrastructure development in Lianyungang, the PRC and interest income from overdue debtors of HK$28,429,000 (2010: nil). Following the substantial completion of the urban infrastructure development in Lianyungang, the PRC, this operation was discontinued in 2011.

Segmental Review

Property development

For the year ended 31 December 2011, the property development operation of Jiatai Tongren recorded a turnover of HK$384,171,000 (2010: HK$130,433,000) and segment loss of HK$4,835,000 (2010: profit of HK$24,344,000) mainly contributed by its property development project in Kunming and Nanjing, the PRC amid a difficult property market environment in second tier cities in the PRC adversely affected by restrictive measures taken by the PRC Government on property market.

Hospital operation

For the year ended 31 December 2011, the hospital operation of Jiatai Tongren recorded a turnover of HK$370,201,000 and segment loss of HK$52,138,000 (2009: HK$18,265,000) mainly attributed to increased staff costs for medical and technical staffs following headcount increase and amid general increase of labour cost in the PRC and increased depreciation charges following the phased commencement of operations of hospitals.

Financial Review

Liquidity, financial resources and capital structure

As at 31 December 2011, the Target Group's non-current assets of HK$1,678,036,000 (2010: HK$1,533,744,000) consisted of property, plant and equipment of HK$1,450,994,000 (2010: HK$1,307,793,000); prepaid lease payments of HK$126,592,000 (2010: HK$123,695,000); intangible assets of HK$67,339,000 (2010: HK$70,655,000); goodwill of HK$17,180,000 (2010: HK$16,396,000) and interest in associates of HK$15,931,000 (2010: HK$15,205,000). The Target Group's capital expenditure, daily operation and investments are mainly funded by cash generated from its operation, borrowings and shareholders' fund. As at 31 December 2011, the Target Group had net current liabilities of HK$125,441,000 (2010: HK$163,565,000).

As at 31 December 2011, the total bank borrowings of the Target Group amounted to HK$1,243,037,000 (2010: HK$777,427,000) consisting of secured bank borrowings of HK$1,040,830,000 (2010: HK$584,444,000) and unsecured bank borrowings of HK$202,207,000 (2010: HK$192,983,000). As at 31 December 2011, the Target Group's total bank borrowings consisted of bank borrowings with maturity within one year of HK$767,914,000 (2010: HK$467,836,000); over one year but not exceeding two years of HK$294,795,000 (2010: HK$70,175,000); over two years but not exceeding five years of HK$180,328,000 (HK$70,175,000) and over five years of nil (2010: HK$169,241,000). As at 31 December 2011, the Target Group's gearing ratio, calculated on the basis of the Target Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity was 75.9% (2010: 48.1%).

As at 31 December 2011, the Target Group's share capital (registered capital) amounted to HK$658,610,000 (2010: HK$658,610,000).

Charge of assets

As at 31 December 2011, the Target Group's bank deposit of HK$245,643,000 (HK$224,902,000); buildings (included in the property, plant and equipment) of HK$1,083,755,000 (2010: HK$940,507,000); construction in progress (included in the property, plant and equipment) of HK$138,434,000 (2010: HK$169,940,000); prepaid lease payments of HK$97,771,000 (2010: HK$95,505,000) and properties under development for sales of HK$81,187,000 (2010: HK$70,488,000) were pledged to banks to secure credit facilities granted to the Target Group during the year.

Capital commitment

As at 31 December 2011, the Target Group's capital expenditure contracted for but not provided in its financial information consisted of acquisition of property, plant and equipment of HK$29,023,000 (2010: HK$62,111,000).

Contingent liabilities

The Target Group did not have any contingent liabilities during the year.

Significant Investments, Material Acquisition and Disposal

During the year ended 31 December 2011, the Target Group has no significant investments, material acquisition and disposal.

Foreign Exchange Fluctuation

The Target Group's operations are mainly located in the PRC and its assets, liabilities and transactions were mainly denominated in Renminbi. The Target Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Employees

As at 31 December 2011, the Target Group had 1,916 (2010: 1,594) with total staff costs of HK$133,863,000 (2010: HK$52,845,000). The Target Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

C. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2012

Review of Operations

For the year ended 31 December 2012, turnover (continuing and discontinued operations) of Jiatai Tongren was HK$553,500,000 (2011: HK$851,607,000) and loss (continuing and discontinued operations) attributable to shareholders of Jiatai Tongren was HK$133,202,000 (2011: HK$26,011,000) mainly due to the loss from continuing operations with the absence of profit contribution from discontinued operation.

Continuing operations

For the year ended 31 December 2012, turnover (continuing operations) of Jiatai Tongren was HK$536,365,000 (2011: HK$754,372,000) and loss (continuing operations) attributable to shareholders of Jiatai Tongren was HK$129,175,000 (2011: HK$63,690,000) mainly due the reduced turnover from its property development operation and increased loss from its hospital operation.

Discontinued operations

For the year ended 31 December 2012, turnover (discontinued operations) of Jiatai Tongren was HK$17,135,000 (2011: HK$97,235,000) and loss (discontinued operations) attributable to shareholders of Jiatai Tongren was HK$4,027,000 (2011: profit of HK$37,679,000) mainly due to the absence of contribution from its urban infrastructure development operation (2011: HK$42,285,000) discontinued in 2011. Following the disposal of the operation in 2012, the property management operation was discontinued in 2012.

Segmental Review

Property development

For the year ended 31 December 2012, the property development operation of Jiatai Tongren recorded a turnover of HK$39,222,000 (2011: HK$384,171,000) and segment loss of HK$16,073,000 (2011: HK$4,835,000) mainly due to the reduced sale of property as property development projects, Kangya Garden Phase 2 and 3, were still under construction

Hospital operation

For the year ended 31 December 2012, the hospital operation of Jiatai Tongren recorded a turnover of HK$497,143,000 (2011: HK$370,201,000) and segment loss of HK$77,036,000 (2011: HK$52,138,000) mainly attributed to the increase in medical and technical staff costs due to increase in manpower and amid the continued trend of increase in labour costs in the PRC and increase in depreciation charges following the staged launching of various operations of hospitals.

Financial Review

Liquidity, financial resources and capital structure

As at 31 December 2012, the Target Group's non-current assets of HK$1,690,866,000 (2011: HK$1,678,036,000) consisted of property, plant and equipment of HK$1,470,342,000 (2011: HK$1,450,994,000); prepaid lease payments of HK$125,034,000 (2011: HK$126,592,000); intangible assets of HK$61,989,000 (2011: HK$67,339,000), goodwill of HK$17,382,000 (2011: HK$17,180,000) and interest in associates of HK$16,119,000 (2011: HK$15,931,000). The Target Group's capital expenditure, daily operation and investments are mainly funded by cash generated from its operation, borrowings and shareholders' fund. As at 31 December 2011, the Target Group had net current liabilities of HK$427,658,000 (2011: HK$125,441,000).

As at 31 December 2012, the total bank borrowings of the Target Group amounted to HK$1,174,475,000 (2011: HK$1,243,037,000) consisting of secured bank borrowings of HK$1,038,810,000 (2011: HK$1,040,830,000) and unsecured bank borrowings of HK$135,665,000 (2011: HK$202,207,000). As at 31 December 2012, the Target Group's total bank borrowings consisted of bank borrowings with maturity within one year of HK$1,016,137,000 (2011: HK$767,914,000); over one year but not exceeding two years of nil (2011: HK$294,795,000) and over two years but not exceeding five years of HK$158,338,000 (2011: HK$180,328,000). As at 31 December 2012, the Target Group's gearing ratio, calculated on the basis of the Target Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity was 70.8% (2011: 75.9%).

As at 31 December 2012, the Target Group's share capital (registered capital) amounted to HK$908,646,000 (2011: 658,610,000).

Charge of assets

As at 31 December 2012, the Target Group's bank deposit of HK$88,592,000 (2011: HK$245,643,000); buildings (included in the property, plant and equipment) of HK$584,314,000 (2011: HK$1,083,755,000); construction in progress (included in the property, plant and equipment) of nil (2011: HK$138,434,000); prepaid lease payments of HK$94,776,000 (2011: HK$97,771,000) and properties under development for sales of HK$82,143,000 (2011: HK$81,187,000) were pledged to banks to secure credit facilities granted to the Target Group during the year.

Capital commitment

As at 31 December 2012, the Target Group's capital expenditure contracted for but not provided in its financial information consisted of acquisition of property, plant and equipment of HK$19,581,000 (2011: HK$29,023,000).

Contingent liabilities

The Target Group did not have any contingent liabilities during the year.

Significant Investments, Material Acquisition and Disposal

In March 2012, the Target Group disposed of its entire equity interests in Beijing Tongren Property Management Company Limited ("Beijing Tongren Property") to an independent third party at zero consideration. The Target Group discontinued its property management business upon the disposal of Beijing Tongren Property and recorded a loss on disposal of HK$3,456,000.

Foreign Exchange Fluctuation

The Target Group's operations are mainly located in the PRC and its assets, liabilities and transactions were mainly denominated in Renminbi. The Target Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Employees

As at 31 December 2012, the Target Group had 2,014 employees (2011: 1,916) with total staff costs of HK$180,605,000 (2011: HK$130,697,000). The Target Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

1. UNAUDITED PRO FORMA FINANCIAL STATEMENT OF THE GROUP

The unaudited pro forma financial information of the Group is prepared in accordance with paragraph 29 of Chapter 4 for illustrative purposes only to provide information about how the Subscription might have affected the financial information of the Group.

The following is the unaudited consolidated statement of assets and liabilities of the Group as at 31 December 2012 extracted from the interim report dated 27 February 2013 published by the Company. The unaudited consolidated statement of financial position of the Group as at 31 December 2012 incorporated the effect of Subscription as the Subscription was completed on 31 December 2012. There is no pro forma adjustment required.

	Unaudited consolidated statement of assets and liabilities of the Group as at 31 December 2012	Pro forma adjustments	Unaudited pro forma statement of assets and liabilities
	HK$'000	*HK$'000* *(Note)*	*HK$'000*
Non-current assets			
Investment properties	159,227		159,227
Property, plant and equipment	1,476,893		1,476,893
Prepaid lease payments	123,307		123,307
Interests in associates	1,009,932		1,009,932
Available-for-sale investments	195,874		195,874
Intangible assets	15,552		15,552
	2,980,785		2,980,785
Current assets			
Inventories	16,496		16,496
Properties under development for sale	1,026,853		1,026,853
Properties held for sale	33,682		33,682
Prepaid lease payments	3,050		3,050
Available-for-sale investments	94,822		94,822
Investments held for trading	1,013,405		1,013,405
Debtors, deposits and prepayments	234,288		234,288
Loans receivable	103,761		103,761
Taxation recoverable	4,997		4,997
Pledged bank deposits	88,592		88,592
Restricted bank deposits	36,378		36,378
Bank balances and cash	526,122		526,122
	3,182,446		3,182,446

	Unaudited consolidated statement of assets and liabilities of the Group as at 31 December 2012	Pro forma adjustments	Unaudited pro forma statement of assets and liabilities
	HK$'000	*HK$'000*	*HK$'000*
		(Note)	
Current liabilities			
Creditors and accrued charges	406,587		406,587
Deposits received on sales of properties	401,880		401,880
Customers' deposits and receipts in advance	25,467		25,467
Consideration payable	43,395		43,395
Amount due to an associate	8,060		8,060
Other borrowings	2,131,167		2,131,167
Obligations under finance leases – due within one year	31,196		31,196
Taxation payable	79,646		79,646
	3,127,398		3,127,398
Net current assets	55,048		55,048
Total assets less current liabilities	3,035,833		3,035,833
Non-current liabilities			
Deferred tax liabilities	119,576		119,576
Bank borrowings – due after one year	250,307		250,307
Obligations under finance leases – due after one year	60,651		60,651
Bonds	247,000		247,000
Other payables	43,397		43,397
	720,931		720,931
Net assets	2,314,902		2,314,902

Note: No pro forma adjustment is required

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Deloitte.
德勤

TO THE DIRECTORS OF COL CAPITAL LIMITED

We report on the unaudited pro forma consolidated statement of assets and liabilities of COL Capital Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the subscription of equity interest in registered capital of Jiatai Tongren (Lianyungang) Healthcare Investment Company Limited of US$32,000,000 (the "Subscription") might have affected the financial information presented, for inclusion in Section 1 of Appendix III to the circular dated 10 May 2013 ("Circular"). The basis of preparation of the unaudited pro forma consolidated statement of assets and liabilities is set out on page 137 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma consolidated statement of assets and liabilities 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.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma consolidated statement of assets and liabilities 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 consolidated statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma consolidated statement of assets and liabilities has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma consolidated statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma consolidated statement of assets and liabilities is for illustrative purpose only.

Opinion

In our opinion:

(a) the unaudited pro forma consolidated statement of assets and liabilities 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) it is appropriate that no adjustment is required for the purpose of the unaudited pro forma consolidated statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

10 May 2013

The following is the text of a letter, summary of value 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 28 February 2013 of the property interests held by the Target Group.

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

10 May 2013

The Board of Directors
COL Capital Limited

Dear Sirs,

Re: Valuation of property interests situated in the People's Republic of China

In accordance with the instructions from **COL Capital Limited** (referred to as the "Company") to value the property interests (referred to as the "properties") held by Jiatai Tongren (Lianyungang) Healthcare Investment Company Limited (referred to as "Jiatai Tongren") or its subsidiaries (Jiatai Tongren and its subsidiaries are altogether referred to as the "Target Group") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at **28 February 2013** (the "date of valuation").

Basis of Valuation

Our valuation of the properties 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 date of valuation 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 properties are 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.

Due to the nature of the buildings and structures erected thereon, the property nos. 3 and 4 in Group II of this report have been valued on the basis of depreciated replacement cost (DRC). The assessment of the DRC requires an estimate of the market value of the land (if any) in existing use and an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, etc.. In valuing the market value of the land portions of the properties, the comparison method has been adopted.

We have ascribed no commercial value to the properties rented by the Target Group due to the non-assignable nature of the leasehold interest or the lack of substantial profit rent.

Assumptions

Our valuation has been made on the assumption that owners sell the properties (except those properties rented by the Target Group) on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

For those properties held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they 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 properties. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Yunnan Youyuan Law Firm（雲南友元律師事務所）, Beijing Yingke (Nanjing) Law Firm – Nanjing Office（北京盈科（南京）律師事務所）and Jiangsu Tianwan Law Firm（江蘇田灣律師事務所）, to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights or leasehold interests in the properties.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the 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 properties 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 values of the properties.

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.

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

The properties were lasted inspected on between 25 October 2012 to 12 April 2013 by Mr. Liu Ho Chi, who is a member of the Hong Kong Institute of Surveyors. However, no structural survey has been made. 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 properties 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 properties.

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 properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 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.

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

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

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

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 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

	Property	Market value in existing state as at 28 February 2013	Interest attributable to the Target Group as at 28 February 2013	Value of property interest attributable to the Target Group as at 28 February 2013
		RMB	*%*	*RMB*
	Group I – Property interests held by the Target Group for Sale			
1.	Various residential units and car parking spaces located in Dianchi Yinxiang Garden, western side of Jinjia River and southern side of Guangfu Road, Kunming City, Yunnan Province, the PRC.	31,300,000	86.69%	27,133,970
2.	Various commercial and residential units and car parking spaces within Kangya Garden located in northern side of Tongren Hospital and eastern side of Nan Shi Fu Zhong, Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC.	386,800,000	69.35%	268,245,800
	Sub-total:	**418,100,000**		**295,379,770**
	Group II – Property interests held and operated by the Target Group			
3.	Various buildings and land located in western side of Jinjia River and southern side of Guangfu Road, Kunming City, Yunnan Province, the PRC.	708,800,000	86.69%	614,458,720
4.	Various buildings and land located in Nanjing Tongren Hospital and Elderly Rehabilitation Centres, Jiangning Development Zone, Jiyin Avenue, Nanjing City, Jiangsu Province, the PRC.	596,800,000	69.35%	413,880,800
	Sub-total:	**1,305,600,000**		**1,028,339,520**

	Property	Market value in existing state as at 28 February 2013 *RMB*	Interest attributable to the Target Group as at 28 February 2013 *%*	Value of property interest attributable to the Target Group as at 28 February 2013 *RMB*
	Group III – Property interests held by the Target Group for future development			
5.	Two parcels of land located in southern side of Changyu Road and eastern side of Jinqiao Road, Lingang Chanye Zone, Development Zone, Lianyungang City, Jiangsu Province, the PRC.	284,600,000	100%	284,600,000
6.	A parcel of land located outside the Export and Processing Zone, Development Zone, Lianyungang City, Jiangsu Province, the PRC.	14,700,000	100%	14,700,000
	Sub-total:	**299,300,000**		**299,300,000**
	Group IV – Property interests held by the Target Group under development			
7.	Block 9 – 12, Kangya Garden under construction located in northern side of Tongren Hospital and eastern side of Nan Shi Fu Zhong, Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC.	270,900,000	69.35%	187,869,150
	Group V – Property interests rented by the Target Group			
8.	Building and land nearby Erhuan Road of Jinshi Xiaoqu, Xiaozhuang Lijiaoqiao, Longquan Town, Guandu District, Kunming City, Yunnan Province, the PRC.	No commercial value		No commercial value
	Sub-total:	**270,900,000**		**187,869,150**
	Grand Total:	**2,293,900,000**		**1,810,888,440**

VALUATION CERTIFICATE

Group I – Property interests held by the Target Group for Sale

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
1.	Various residential units and car parking spaces located in Dianchi Yinxiang International Garden, western side of Jinjia River and southern side of Guangfu Road, Kunming City, Yunnan Province, the PRC. （中國雲南省昆明市廣福路以南、金家河以西滇池印象國際花園多個住宅及車位）	The property comprises 24 unsold residential units within two blocks of 11-storey apartment buildings and 279 car parking spaces within the same development. It was completed in about 2009. The total gross floor area of the residential units and car parking spaces are approximately 1,701.12 square metres and 13,015 square metres respectively. The land use rights of the property have been granted for a term expiring on 5 August 2074 for residential use.	The property is currently vacant.	31,300,000 (86.69% interest attributable to the Target Group: 27,133,970)

Notes:

1. Pursuant to a Land Use Right Grant Contract (Ref: Kun Guo Tu Zi Chu (2004) He Tong Zi Di No. 286（昆國土資出(2004)合同字第286號）entered into between the Kunming Land Resource Administration Bureau（雲南省昆明市國土資源局, as the Grantor) and Kunming Tongren Industrial Development Co., Ltd.（昆明同仁實業開發有限公司, as the Grantee), a wholly-owned subsidiary of Jiatai Tongren, on 5 August 2004, the subject land parcel with an area of 185,809.72 square metres was granted by the Grantor to the Grantee for a land use right term of 70 years for residential use at a land premium of RMB22,336,200 which has been settled in full.

2. As revealed by a State-owned Land Use Right Certificate (Ref: Kun Guo Yong (2005) Di No. 00118（昆國用(2005)第00118號）) dated 10 March 2005, the land use rights of the subject land parcel with an area of 185,809.72 square metres are held by Kunming Tongren Industrial Development Co., Ltd. for a term expiring on 5 August 2074 for residential use.

3. A Construction Land Use Planning Permit（建設用地規劃許可證）(Ref: Kun Gui Di Zheng (2003)2180（昆規地證(2003)2180號）) was issued by the Kunming Town Planning Bureau（昆明市規劃局）on 26 September 2003 in the name of Kunming Tongren Hospital Co., Ltd.（昆明同仁醫院有限公司）. The permitted use of the land parcel with an area of approximately 173,334.20 square metres is ancillary living community use.

4. As revealed by a Planning Permit of Construction Work（建設工程規劃許可證）(Ref: Kun Gui Jian Zheng No. (2006)0317（昆規建證(2006)0317號）issued by the Kunming Town Planning Bureau（昆明市規劃局）on 17 October 2006 in the name of Kunming Tongren Industrial Development Co., Ltd., the development of the ancillary living community（配套生活社區）with gross floor areas of approximately 193,485.64 square metres (superstructures) and 16,394 square metres (substructures) on the subject land parcel has been approved.

5. As revealed by a Construction Works Commencement Permit（建築工程施工許可證）(Ref: Jian Zi 2006 Di No. 16（建字2006第16號）) issued by the Kunming Dianchi National Tourist Resort Construction Bureau（昆明滇池國家旅遊度假區建設局）on 13 December 2006 in the name of Kunming Tongren Industrial Development Co., Ltd., the carrying out of construction work for the Phase I of the ancillary living community（配套生活社區）with a total gross floor area of 26,369.78 square metres has been approved.

6. As revealed by another Construction Works Commencement Permit（建築工程施工許可證）(Ref: Jian Zi 2007 Di No. 13（建字2007第13號）) issued by the Kunming Dianchi National Tourist Resort Construction Bureau（昆明滇池國家旅遊度假區建設局）on 24 August 2007 in the name of Kunming Tongren Industrial Development Co., Ltd., the carrying out of construction work for the ancillary living community (Dianchi Yinxiang Garden)（配套生活社區（滇池印象花園））with a gross floor area of approximately 112,750 square metres has been approved.

7. As revealed by another Construction Works Commencement Permit（建築工程施工許可證）(Ref: Jian Zi 2007 Di No. 16（建字2007第16號）) issued by the Kunming Dianchi National Tourist Resort Construction Bureau（昆明滇池國家旅遊度假區建設局）on 11 October 2007 in the name of Kunming Tongren Industrial Development Co., Ltd., the carrying out of construction work for the ancillary living community (Dianchi Yinxiang Garden)（配套生活社區（滇池印象花園））with a total gross floor area of approximately 85,036.55 square metres has been approved.

8. Pursuant to a Pre-sales Permit issued by the Kunming Real Estate Administration Authority（昆明市房產管理局）on 14 November 2008 in the name of Kunming Tongren Industrial Development Co., Ltd., the pre-sales of the whole development (Block Nos. 1-77) with a gross floor area of 188,053 square metres was permitted.

9. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Land Use Right Grant Contract	: Yes
State-owned Land Use Right Certificate	: Yes
Construction Land Use Planning Permit	: Yes
Planning Permit of Construction Work	: Yes
Construction Works Commencement Permit	: Yes
Building Ownership Certificate	: No
Pre-sales Permit	: Yes

10. The opinion from the PRC legal advisors of the Company on the property is as follows:

i. On 5 August 2004, the Kunming State Land Resource Administration Bureau and Kunming Tongren Industrial Development Co., Ltd. entered into a Land Use Right Grant Contract (Ref: Kun Guo Tu Zi Chu (2004) He Tong Zi Di No. 286（昆國土資出(2004)合同字第286號）) by virtue of which the former party granted the land use rights of the subject land parcel with an area of 185,809.72 square metres to the latter party for residential purposes for a term of 70 years commencing from the land handover date at a land premium of RMB22,336,200.

ii. After full settlement of the land premium by Kunming Tongren Industrial Development Co., Ltd., a State-owned Land Use Right Certificate in relation to the subject land parcel was issued by the Municipal Government of Kunming to Kunming Tongren Industrial Development Co., Ltd. on 10 March 2005.

iii. Kunming Tongren Industrial Development Co., Ltd. has obtained various Construction Land Use Planning Permits, Planning Permits of Construction Work, Construction Works Commencement Permits and Pre-sales Permits for the property for planning approval, construction work start approval and pre-sales approval of the subject development;

iv. The property which comprises 24 unsold residential units with a total gross floor area of 1,701.12 square metres and 278 vehicle parking spaces with a total gross floor area of 13,015 square metres constituted the unsold portion of the subject development as at 30 January 2013;

v. All the residential units of the property are falling within Block 57 of the subject development. Due to the change in the orignial design of the subject building during its construction, the completed building is derivated from the orignial design that has been granted with planning approval. Therefore, Kunming Tongren Industrial Development Co., Ltd. has to complete the planning change approval for the property in order to obtain the relevant Building Ownership Certificate. As confirmed by the Group, Kunming Tongren Industrial Development Co., Ltd. will complete the relevant planning change application and obtain the Building Ownership Certificate of the property within one year. The application involves the following procedures:–

   a. to complete the relevant planning change application and obtain the planning acceptance certificate;

   b. to apply for the carrying out of building work satisfaction completion examination by the relevant department; and

   c. upon completion of the above procedures, to file building ownership registration application to the relevant property administration authority and then obtain Building Ownership Rights Certificate.

vi. As confirmed by Kunming Tongren Industrial Development Co., Ltd., it is eligible to apply for Building Ownership Certificate for the property upon completion of the above procedures and there is no legal impediment under the existing situation.

vii. Kunming Tongren Industrial Development Co., Ltd. has not yet obtained any building ownership certificate for the property. In accordance to relevant PRC law, Kunming Tongren Industrial Development Co., Ltd. shall, upon completing relevant administrative procedures, be eligible to obtain the building ownership certificate for the property;

viii. The land use rights of the subject land parcels are in the nature of granted land use rights. Upon completion of title registration procedures, they are permitted to be transferred in accordance with the PRC law. The designated land uses of the property is not allowed to be altered without prior consent;

ix. The property is not subject to any mortgage.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
2.	Various commercial and residential units and car parking spaces within Kangya Garden located in northern side of Tongren Hospital and eastern side of Nan Shi Fu Zhong, Jiangning Development Zone, Kangbo Garden Nanjing City, Jiangsu Province, the PRC. （中國江蘇省南京市江寧開發區南師附中以東、同仁醫院以北康雅苑內多個商業、住宅及車位）	The property comprises 30 unsold commercial units, 371 unsold residential units and 345 unsold car parking spaces and a club house within a comprehensive residential development named Kang Bo Garden. It was completed in between 2012 and 2013. The total gross floor area of the commercial units and residential units is approximately 4,596.19 square metres and 38,467.92 square metres respectively. The total gross floor area of the car parking spaces and club house is approximately 11,657.51 square metres and 747.88 square metres respectively. The land use rights of the property have been granted for a term expiring on 12 October 2076 for residential use.	The property is currently vacant.	386,800,000 (69.35% interest attributable to the Target Group: 268,245,800)

Notes:

1. Pursuant to a Land Use Right Grant Contract (Ref: Jiang Ning Guo Tu Chu He No. (2005)056（江寧國土出合（2005)056號）) entered into between the Nanjing Jiangning District Land Administration Resources Bureau（南京市國土資源局江寧分局, as the Grantor) and Nanjing Tongren Industrial Co., Ltd.（南京同仁實業有限公司, as the Grantee), a wholly-owned subsidiary of the Jiatai Tongren on 31 October 2005, the land parcel of the property with a land area of 140,552.90 square metres was granted by the Grantor to the Grantee for a land use right term of 70 years for residential use at a land premium of RMB140,000,000 which has been settled in full.

2. As revealed by a State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2006) Di No. 16924（寧江國用(2006)第16924號）) dated 23 November 2006 issued by the Municipal Government of Nanjing City, the land use rights of a portion of the subject land parcel with an area of 13,086.10 square metres are held by Nanjing Tongren Industrial Co., Ltd. for a term expiring on 12 October 2076 for residential use.

3. As revealed by another State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2008) Di No. 18109（寧江國用(2008)第18109號）) dated 16 October 2008 issued by the Municipal Government of Nanjing City, the land use rights of the remaining portion of the subject land parcel with an area of 127,467.10 square metres are held by Nanjing Tongren Co., Ltd. for a term expiring on 12 October 2076 for residential use.

4. As revealed by a Construction Land Use Planning Permit（建設用地規劃許可證）(Ref: Gui Jiang Ning Yong Di (2005) Di No. 0026（規江寧用地(2005)第0026號）) issued by the Nanjing City Town Planning Bureau（南京市規劃局）on 31 October 2005 in the name of Nanjing Tongren Industrial Co., Ltd., the permitted planning use of the subject land parcel is Residential (Type 2).

5. As revealed by four sets of Planning Permit of Construction Work（建設工程規劃許可證）(Ref: Jiang Ning Jian Zi (2007) Di No. 461（江寧建字(2007)第461號）, Jian Zi Di No. 320115200881277（建字第 320115200881277號）, Jian Zi Di No. 320115200881443（建字第 320115200881443號）and Jian Zi Di No. 320115201181200（建字第 320115201181200號）) all issued by the Nanjing City Jiangning District Town Planning Bureau（南京市江寧區規劃局）on between 5 August 2007 and 16 June 2011 in the name of Nanjing Tongren Industrial Co., Ltd., the development of various phases of Kang Bo Garden with a total gross floor area of 128,424.15 square metres (of which the property forms part) has been approved.

6. As revealed by five sets of Construction Works Commencement Permit（建築工程施工許可證）(Ref nos. 32011520070909000002A, 32011520081105000001A, 32011520090623000001A, 32011520070919000002A and 32011520110628000004A) all issued by the Nanjing City Jiangning District Town Planning Bureau（南京市江寧區建築工程局）on between 20 September 2007 and 30 June 2011 in the name of Nanjing Tongren Industrial Co., Ltd., the carrying out of construction work for various phases of Kang Bo Garden with a total gross floor area of 136,418.84 square metres (of which the subject property forms part) has been approved.

7. Pursuant to two Pre-sales Permits (Ref Ning Fang Xiao Nos. 201120079 and 2012200018) both issued by the Nanjing Jiangning District Housing and Urban-Rural Construction Bureau（南京市江寧區住房及城鄉建設局）on 27 October 2011 and 5 April 2012 respectively in the name of Nanjing Tongren Industrial Co., Ltd., the pre-sales of the remaining residential units of the property has been approved.

8. Twelve sets of Building Ownership Certificates (Ref: Jiang Ning Fang Quan Zheng Dong Shan Zi Di Nos. JN00105987, JN00105989- JN00105991, JN00105993, JN00105994, JN00105996, JN00105997, JN00105999, JN00106000, JN00106006, JN00106007) all dated 8 June 2009 for to some of the retail units of the property with a total gross floor area of 1,943.92 square metres were issued in the name of Nanjing Tongren Industrial Co., Ltd.. Building Ownership Certificate for the remaining retail units are yet to be issued.

9. Two sets of Building Ownership Certificates (Ref: Ning Fang Quan Zheng Jiang Chu Zi Di Nos. JN00194510, JN00194511號) both dated 7 March 2011 for some of the residential units of the property with a total gross floor area of 279.33 square metres were issued in the name of Nanjing Tongren Industrial Co., Ltd.. Building Ownership Certificate for the remaining residential units are yet to be issued.

10. As advised by the Company, the club house of the property is not prohibited from being transferred. We have ascribed no commercial value to the club house of the property on the basis that the clubhouse shall be provided to the residents of the development as amenity facilities.

11. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Land Use Right Grant Contract	: Yes
State-owned Land Use Right Certificate	: Yes
Construction Land Use Planning Permit	: Yes
Planning Permit of Construction Work	: Yes
Construction Works Commencement Permit	: Yes
Building Ownership Certificate	: Yes (certain commercial and residential units of the property)
Pre-sales Permit	: Yes (the remaining residential units of the property)

12. The opinion from the PRC legal advisors of the Company on the property is as follows:

    i. On 31 October 2005, the Nanjing State Land Resource Administration Bureau Jiangning Branch and Nanjing Tongren Industrial Co., Ltd. entered into a Land Use Right Grant Contract (Ref: Jiang Ning Guo Tu Chu He No. (2005)056（江寧國土出合 (2005) 056號）) by virtue of which the former party granted the land use rights of the subject land parcels with a total area of 140,552.9 square metres to the latter party for residential (Type 2) purpose for a term of 70 years commencing from the land handover date at a land premium of RMB140,000,000.

    ii. Nanjing Tongren Industrial Co., Ltd. was issued from the Municipal Government of Nanjing a State-owned Land Use Right Certificate for a portion of the subject land parcel with an area of 13,086.1 square metres on 23 November 2006 and another State -owned Land Use Right Certificate for the remaining portion of the subject land parcel with an area of 127,467.1 square metres on 16 October 2008.

    iii. Nanjing Tongren Industrial Co., Ltd. has obtained various Construction Land Use Planning Permits, Planning Permits of Construction Work, Construction Works Commencement Permits and Pre-sales Permits for planning approval, construction work start approval and pre-sales approval of the subject development;

    iv. Nanjing Tongren Industrial Co., Ltd. has obtained twelve sets of Building Ownership Certificates for some commercial units of the property with a total gross floor area of 1,942.92 square metres and two Building Ownership Certificates for some residential units of the property with a total gross floor area of 278.11 square metres;

v. A total of 10 commercial units (Units 101-104 of Block 1 and Units 101-106 of Block 2 of the subject development) with a total gross floor area of 1,695.18 square metres are subject to a mortgage in favour of Agriculture Bank of China Limited Jiangning Branch for a loan amount of RMB20,000,000 maturing on 10 October 2013;

vi. Portion of the land parcel held under the State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2008) Di No. 18109（寧江國用(2008)第18109號）) with an area of site area of 7,275.8 square metres is subject to a mortgage in favour of Zijin Rural Commercial Bank（紫金農商行）for a total loan amount of RMB20,000,000 maturing on 6 May 2013;

vii. Another portion of the land parcel held under the State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2008) Di No. 18109（寧江國用(2008)第18109號）) with an area of site area of 11,800 square metres is subject to a mortgage in favour of Zijin Rural Commercial Bank（紫金農商行）for a total loan amount of RMB28,000,000 maturing on 2 September 2013; and

viii. Save for the aforesaid mortgages, the property is free from any mortgage and title defect leading to arbitration or litigation;

ix. Nanjing Tongren Industrial Co., Ltd. has the rights to mortgage, transfer or pre-sales the property in accordance with relevant PRC law; and

x. Nanjing Tongren Industrial Co., Ltd. expected that the application of Building Ownership Certificate for the property will be completed within two years. The application involves the following procedures:-

   a. to complete the sales of the property;

   b. to provide the relevant registration document to the owner and the owner completes the building ownership registration;

   c. upon completion of the above procedures, to file building ownership registration application to the relevant property administration authority and then obtain Building Ownership Certificate.

xi. As confirmed by Nanjing Tongren Industrial Co., Ltd., it is eligible to apply for Building Ownership Certificate for the property upon completion of the above procedures and there is no legal impediment under the existing situation.

VALUATION CERTIFICATE

Group II – Property interests held and operated by the Target Group

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
3.	Various buildings and land located in western side of Jinjia River and southern side of Guangfu Road, Kunming City, Yunnan Province, the PRC. （中國雲南省昆明市廣福路以南、金家河以西土地及建築物）	The property comprises a parcel of land with a site area of approximately 192,017.71 square metres which is partially developed with five blocks of single to 9-storey building. Those buildings include a clinic building, a hospital building, an ancillary office building, a garbage room and an ancillary building. Pursuant the building plan provided, the total gross floor area of the aforesaid buildings is approximately 57,212.74 square metres plus substructure gross floor area of 13,935.83 square metres. The above buildings were completed in about 2010. The land use rights of the property have been granted for a term expiring on 5 August 2054 for medical and health purposes.	The property is occupied by the Target Group as clinic, hospital and ancillary office.	708,800,000 (86.69% interest attributable to the Target Group: 614,458,720)

Notes:

1. Pursuant to a Land Use Right Grant Contract (Ref: Kun Guo Tu Zi Chu (2004) He Tong Zi Di No. 285（昆國土資出(2004)合同字第285號）) entered into between the Kunming Land Resource Administration Bureau（雲南省昆明市國土資源局, as the Grantor) and Kunming Tongren Industrial Development Co., Ltd.（昆明同仁實業開發有限公司, as the Grantee), a wholly-owned subsidiary of Jiatai Tongren on 5 August 2004, the land use rights of the subject land parcel with an area of 192,017.00 square metres were granted by the Grantor to the Grantee for a land use right term of 50 years for medical and health purposes（醫療衛生用地）at a land premium of RMB18,372,200 which has been settled in full.

2. As revealed by a State-owned Land Use Right Certificate (Ref: Kun Guo Yong (2005) Di No. 00119（昆國用(2005)第00119號）) dated 10 March 2005, the land use rights of the property with an area of 192,017.71 square metres are held by Kunming Tongren Industrial Development Co., Ltd. for a term expiring on 5 August 2054 for medical and health purposes.

3. Two Construction Land Use Planning Permits（建設用地規劃許可證）(Ref: Kun Gui Di Zheng (2003)2179（昆規地證(2003)2179號）and Kun Gui Di Zheng (2003)2180（昆規地證(2003)2180號）) in relation to two parcels of land with a total area of approximately 373,335.2 square metres (of which the subject land parcel forms part) were issued by the Kunming Town Planning Bureau（昆明市規劃局）on 26 September 2003 in the name of Kunming Tongren Industrial Development Co., Ltd.. The permitted uses of one of the two land parcels with an area of approximately 200,001 square metres are medical and health uses（醫療衛生）and the other land parcel with an area of approximately 173,334.20 square metres is permitted for ancillary living community use（配套社區）.

4. As revealed by a Planning Permit of Construction Work（建設工程規劃許可證）(Ref: Kun Gui Jian Zheng No. (2005)2234（昆規建證(2005)2234號）) issued by the Kunming Town Planning Bureau（昆明市規劃局）on 17 October 2006 in the name of Kunming Tongren Industrial Development Co., Ltd., the development of the hospital and ancillary community（昆明同仁醫及配套社區）with a gross floor area of approximately 70,780 square metres (superstructure) and 18,830 square metres (substructure) has been approved.

5. As revealed by a Construction Works Commencement Permit（建築工程施工許可證）(Ref: Jian Zi 2005 Di No. 025 建字2005第025號）) issued by the Kunming Dianchi National Tourist Resort Construction Bureau（昆明滇池國家旅遊度假區建設局）on 15 December 2005, the carrying out of construction work for the subject buildings with a gross floor area of approximately 70,780 square metres (superstructures) and 18,830 square metres (substructures) has been approved.

6. As advised by the Group, it is in the process of applying for the relevant Building Ownership Certificates of the subject property.

7. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Land Use Right Grant Contract	: Yes
State-owned Land Use Right Certificate	: Yes
Construction Land Use Planning Permit	: Yes
Planning Permit of Construction Work	: Yes
Construction Works Commencement Permit	: Yes
Building Ownership Certificate	: No

8. The opinion from the PRC legal advisors of the Company on the property is as follows:

   i. On 5 August 2004, the Kunming State Land Resource Administration Bureau and Kunming Tongren Industrial Development Co., Ltd. entered into a Land Use Right Grant Contract (Ref: Kun Guo Tu Zi Chu (2004) He Tong Zi Di No. 285（昆國土資出(2004)合同字第285號）) by virtue of which the former party granted the land use rights of the subject land parcel with an area of 192,017.00 square metres to the latter party for residential purposes for a term of 70 years commencing from the land handover date at a land premium of RMB18,372,200;

   ii. After full settlement of the land premium by Kunming Tongren Industrial Development Co., Ltd., a State-owned Land Use Right Certificate in relation to the subject land parcel was issued by the Municipal Government of Kunming to Kunming Tongren Industrial Development Co., Ltd. on 10 March 2005;

   iii. Kunming Tongren Industrial Development Co., Ltd. has obtained various Construction Land Use Planning Permits, Planning Permits of Construction Work and Construction Works Commencement Permits for planning approval and construction work start approval of the property;

   iv. Building Ownership Certificate has not yet been issued to the property. In accordance to relevant PRC law, Kunming Tongren Industrial Development Co., Ltd. shall, upon completing relevant administrative procedures, obtain the building ownership certificate for the property;

   v. The land use rights of the subject land parcels are in the nature of granted land use rights. Upon completion of title registration procedures, they are permitted to be transferred in accordance with the PRC law. The designated land uses of the property is not allowed to be altered without prior consent;

   vi. Pursuant to a maximum loan amount mortgage agreement（最高額抵押合同）(ref no. 25020160-2008年馬街（抵）字 0008) between Kunming Tongren Development Co., Ltd. as the mortgagor and Industrial and Commercial Bank of China Limited – Kunming Xishi Sub-branch（中國工商銀行昆明市西市區支行）as the mortgagee, the land use rights of the property held under the State-owned Land Use Right Certificate (Ref: Kun Guo Yong (2005) Di No. 00119（昆國用(2005)第00119號）) and the buildings erected thereon have been pledged for a maximum loan amount of RMB256,000,000. As at the date of the legal opinion, the outstanding principal amount of the loan is RMB127,700,000. Besides the aforesaid loan, the property is not subject to any mortgage;

   vii. as revealed from the Hospital Zone Technical Economic Development Parameters（醫院區技術經濟指標）, the permitted total gross floor area of the subject land parcel with an area of approximately 192,017 square metres is 295,610 square metres which has been partially utilized by the construction of the subject buildings. The unutilized gross floor area of the subject land parcel is permitted to be used for developing administrative offices, healthcare centre, general hospital, elderly apartments, medical staff quarters, rehabilitation exchange centre, children rehabilitation centre, VIP garden villa type hospital and ancillary commercial facilities. As confirmed by Kunming Tongren Industrial Development Co., Ltd., it is eligible to apply for Building Ownership Certificate for the property upon completion of the above development and relevant procedures and there is no legal impediment under the existing situation;

viii. Building Ownership Certificates for the constructed buildings can be obtained after the completion of whole building inspection and acceptance procedures and obtaining the mortgagee's consent. As confirmed by the Group, Kunming Tongren Industrial Development Co., Ltd. will complete the relevant registration procedure and obtain the Building Ownership Certificate of the property within one year. The application involves the following procedures:–

a. to discharge the mortgage or obtaining the mortgagee's consent;

b. to complete the relevant planning change application and obtain the planning acceptance certificate;

c. to apply for the carrying out of building work satisfaction completion examination by the relevant department; and

d. upon completion of the above procedures, to file building ownership registration application to the relevant property administration authority and then obtain Building Ownership Rights Certificate.

ix. As confirmed by Kunming Tongren Industrial Development Co., Ltd., it is eligible to apply for Building Ownership Certificate for the property upon completion of the above procedures and there is no legal impediment under the existing situation.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
4.	Various buildings and land located in Nanjing Tongren Hospital and Elderly Rehabilitation Centres, Jiyin Avenue, Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC. （中國江蘇省南京市江寧開發區吉印大道南京同仁醫院及護理中心之土地及建築物）	The property comprises three parcels of land with a total site area of approximately 160,139.77 square metres (as per Land Use Right Certificate mentioned in Note 3, 4 and 5) on which four blocks of buildings are erected. Those buildings include a 12-storey (plus 2 basement levels) hospital building and three blocks of 3 to 4-storey elderly rehabilitation centres. The total gross floor area of the aforesaid buildings is approximately 139,289.36 square metres. The above buildings were completed in about 2007. The land use rights of the property have been granted for a term of 50 years expiring on 1 May 2054 and 20 November 2055 for medical and health purposes.	The property is occupied by the Target Group as clinic, hospital and elderly rehabilitation centres.	596,800,000 (69.35% interest attributable to the Target Group: 413,880,800)

Notes:

1. Pursuant to a Land Use Right Grant Contract (Ref: Jiang Ning Guo Tu Chu He No. (2004)152（江寧國土出合 (2004)152號）) entered into between the Nanjing Jiangning District Land Resources Administration Bureau（南京市國土資源局江寧分局, as the Grantor) and Nanjing Tongren Industrial Co., Ltd.（南京同仁實業有限公司, as the Grantee), a wholly-owned subsidiary of the Jiatai Tongren on 2 May 2004, the land parcel of the property with a land area of 91,159.87 square metres was granted by the Grantor to the Grantee for a land use right term of 50 years for medical and health purposes（醫療衛生用地）at a land premium of RMB13,673,980.50 which has been settled in full.

2. Pursuant to another Land Use Right Grant Contract (Ref: Jiang Ning Guo Tu Chu He No. (2006)056（江寧國土出合 (2006)056號）) entered into between the Nanjing Jiangning District Land Resources Administration Bureau (as the Grantor) and Nanjing Tongren Industrial Co., Ltd. (as the Grantee) on 8 May 2006, another land parcel of the property with a land area of 68,982.9 square metres was granted by the Grantor to the Grantee for a land use right term of 50 years for medical and health purposes（醫療衛生用地）at a land premium of RMB12,416,922.00 which has been settled in full.

3. As revealed by a State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2004) Di No. 10119（寧江國用(2004)第10119號）dated 18 October 2004 issued by the Municipal Government of Nanjing City, the land use rights of a portion of the subject land parcel with an area of 91,159.87 square metres are held by Nanjing Tongren Industrial Co., Ltd. for a term expiring on 1 May 2054 for medical and health purposes（醫療衛生用地）.

4. As revealed by another State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2006) Di No. 07654（寧江國用(2006)第07654號）) dated 2 June 2006 issued by the Municipal Government of Nanjing City, the land use rights of another portion of the subject land parcel with an area of 44,928.7 square metres are held by Nanjing Tongren Industrial Co., Ltd. for a term expiring on 20 November 2055 for medical and health purposes（醫療衛生用地）.

5. As revealed by another State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2006) Di No. 07656（寧江國用(2006)第07656號）) dated 2 June 2006 issued by the Municipal Government of Nanjing City, the land use rights of the remaining portion of the subject land parcel with an area of 24,051.2 square metres are held by Nanjing Tongren Industrial Co., Ltd. for a term expiring on 1 May 2054 for medical and health purposes（醫療衛生用地）.

6. As revealed by two sets of Construction Land Use Planning Permit（建設用地規劃許可證）(Ref: Gui Jiang Ning Yong Di (2005) Di No. 0026（規江寧用地(2005)第0026號）and Ning Jian Gui Zi (2003) Di No. 839（寧建規字(2003)第839號）) both issued by the Nanjing City Town Planning Bureau（南京市規劃局）on 8 September 2003 and 31 October 2005 respectively in the name of Nanjing Tongren Industrial Co., Ltd., the permitted planning use of the subject land parcel is Medical and Health（醫療衛生）.

7. As revealed by 3 sets of Planning Permit of Construction Work（建設工程規劃許可證）(Ref: Jiang Ning Jian Zi (2003) Di No. 859（江寧建字(2003)第859號）, Jiang Ning Jian Zi (2004) Di No. 1012（江寧建字(2004)第1012號）and Jiang Ning Jian Zi (2005) Di No. 0052（江寧建字(2005)第0052號）) all issued by the Nanjing Jiangning District Town Planning Bureau（南京市江寧區規劃局）on 11 December 2003, 7 December 2004 and 26 January 2005 respectively in the name of Nanjing Tongren Industrial Co., Ltd., the construction of the hospital building of the property with a total gross floor area of 89,750 square metres (superstructure) and 31,250 square metres (substructure) has been approved.

8. As revealed by another Planning Permit of Construction Work（建設工程規劃許可證）(Ref: Jiang Ning Jian Zi (2006) Di No. 384（江寧建字(2006)第384號）issued by the Nanjing Jiangning District Town Planning Bureau on 24 June 2006 in the name of Nanjing Tongren Industrial Co., Ltd., the construction of the 3 blocks of elderly rehabilitation centre of the property with a total gross floor area of 18,756 square metres has been approved.

9. As revealed by a Construction Works Commencement Permit（建築工程施工許可證）(Ref: Jiang Ning Jian Xu Zi (2005) Di No. 029（江寧建許字(2005)第029號）) issued by the Nanjing Jiangning District Construction Engineering Bureau（南京市江寧區建築工程局）on 27 January 2005 in the name of Nanjing Tongren Industrial Co., Ltd., the carrying out of construction work for the hospital building of the property with a gross floor area of 121,000 has been approved.

10. As revealed by another Construction Works Commencement Permit（建築工程施工許可證）(Ref: Jiang Ning Jian Xu Zi (2006) Di No. 074 江寧建字(2006)第074號）) issued by the Nanjing Jiangning District Construction Engineering Bureau on 20 November 2006 in the name of Nanjing Tongren Industrial Co., Ltd., the carrying out of construction work for the 3 blocks of elderly rehabilitation centre with a gross floor area of 18,756 has been approved.

11. As revealed by three Building Ownership Certificates (Ref: Ning Fang Quan Zheng Jiang Chu Zi Di Nos. JN00244465, JN00244468, JN00244469) all dated 18 April 2012, the building ownership rights of the 3 blocks of elderly rehabilitation centre with a total gross floor area of 18,289.36 square metres are held by Nanjing Tongren Industrial Co., Ltd.（南京同仁實業有限公司）.

12. As advised by the Group, it is in the process of applying for the relevant Building Ownership Certificates of the subject property.

13. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Land Use Right Grant Contract	: Yes
State-owned Land Use Right Certificate	: Yes
Construction Land Use Planning Permit	: Yes
Planning Permit of Construction Work	: Yes
Construction Works Commencement Permit	: Yes
Building Ownership Certificate	: Yes (for 3 elderly rehabilitation centres of the property)
Pre-sales Permit	: No

14. The opinion from the PRC legal advisors of the Company on the property is as follows:

    i. On 2 May 2004 and 8 May 2006, the Nanjing State Land Resource Bureau Jiangning Branch and Nanjing Tongren Industrial Co., Ltd. entered into two sets of Land Use Right Grant Contract by virtue of which the former party granted the land use rights of the subject land parcels with a total area of 160,142.77 square metres to the latter party for medical and health purposes for a term of 50 years at a total land premium of RMB26,090,902.5.

    ii. As approved by the Town Planning authority, the subject land parcel is allowed to be developed into a hospital, an elderly rehabilitation complex and ancillary commercial facilities with respective permissible gross floor areas of 121,000 square metres (which has been completed and commenced operations), 138,400 square metres (of which 18,289.36 square metres has been completed and commenced operations) and 10,000 square metres;

iii. Nanjing Tongren Industrial Co., Ltd. has obtained 3 sets of State-owned Land Use Right Certificate for the subject land parcels with a total area of 160,139.77 square metres and a Building Ownership Certificate for the 3 elderly rehabilitation centres with a total gross floor area of 18,289.36 square metres;

iv. Nanjing Tongren Industrial Co., Ltd. has obtained various Construction Land Use Planning Permit, Planning Permit of Construction Work and Construction Works Commencement Permit for planning approval and construction work start approval of the subject development;

v. The property is free from mortgage and any title defect leading to arbitration or litigation;

vi. Nanjing Tongren Industrial Co., Ltd. has the rights to mortgage the hospital building of the property and can transfer the same building after obtaining Building Ownership Certificate;

vii. Nanjing Tongren Industrial Co., Ltd. has the right to mortgage and transfer the elderly rehabilitation centres;

viii. Nanjing Tongren Industrial Co., Ltd. has the right to mortgage the undeveloped land portion of the property and after spending more than 25% of the total investment in developing the same, it is eligible to transfer the undeveloped land portion; and

ix. Nanjing Tongren Industrial Co., Ltd. expected that the application of Building Ownership Certificate for the property will be completed within three years. The application involves the following procedures:-

a. to complete the building work construction;

b. to apply for the carrying out of building work satisfaction completion examination by the relevant department; and

c. upon completion of the above procedures, to file building ownership registration application to the relevant property administration authority and then obtain Building Ownership Rights Certificate.

x. As confirmed by Nanjing Tongren Industrial Co., Ltd., it is eligible to apply for Building Ownership Certificate for the property upon completion of the above procedures and there is no legal impediment under the existing situation.

VALUATION CERTIFICATE

Group III – Property interests held by the Target Group for future development

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
5.	Two parcels of land located in southern side of Changyu Road and eastern side of Jinqiao Road, Lingang Chanye Zone, Development Zone, Lianyungang City, Jiangsu Province, the PRC. （中國江蘇省連雲港市開發區臨港產業區昌紆路南及金橋路東兩塊土地）	The property comprises two parcels of land with a total area of approximately 184,262.70 square metres (as per Land Use Right Certificate mentioned in 3 and 4). The land use rights of the property have been granted for a term of 50 years expiring on 29 March 2082 for residential use.	The property is currently vacant.	284,600,000 (100% interest attributable to the Target Group: 284,600,000)

Notes:

1. Pursuant to Land Use Right Grant Contract (Ref no. 3207012011CR0177) entered into between the Lianyungang Land Resource Administration Bureau（連雲港國土資源局, as the Grantor) and Lianyungang Chengtai Property Ltd.（連雲港成泰置業有限公司, as the Grantee), a wholly-owned subsidiary of Jiatai Tongren on 9 September 2011, one of the two subject land parcels with an area of 117,600 square metres was granted by the Grantor to the Grantee for residential use at a land premium of RMB190,500,000 which has been settled in full.

2. Pursuant to another Land Use Right Grant Contract (Ref no. 3207012011CR0178) entered into between Lianyungang Land and Resource Administration Bureau (as the Grantor) and Lianyungang Chengtai Property Ltd. (as the Grantee) on 9 September 2011, the other land parcel of the property with an area of 66,664 square metres was granted by the Grantor to the Grantee for residential use at a land premium of RMB80,000,000 which has been settled in full.

3. As revealed by a State-owned Land Use Right Certificate (Ref: Lian Guo Yong (2012) Di No. LY003047（連國用(2012)第LY003047號）) dated 15 October 2012, the land use rights of one of the subject land parcels with an area of 117,598.6 square metres are held by Lianyungang Chengtai Property Ltd. for a term expiring on 29 March 2082 for residential use.

4. As revealed by another State-owned Land Use Right Certificate (Ref: Lian Guo Yong (2012) Di No. LY003046（連國用(2012)第LY003046號）) dated 15 October 2012, the land use rights of another land parcel of the property with an area of 66,664.1 square metres are held by Lianyungang Chengtai Property Ltd. for a term expiring on 29 March 2082 for residential use.

5. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Land Use Right Grant Contract	: Yes
State-owned Land Use Right Certificate	: Yes

6. The opinion from the PRC legal advisors of the Company on the property is as follows:

   i. Lianyungang Chengtai Property Ltd. has obtained the State-owned Land Use Right Certificate for the property and has the right to develop, transfer and mortgage the land use rights of the property; and

   ii. The property is free from any mortgage.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
6.	A parcel of land located outside the Export and Processing Zone, Development Zone, Lianyungang City, Jiangsu Province, the PRC. （中國江蘇省連雲港市開發區出口加工區外廣場一塊土地）	The property comprises a parcel of land with a site area of approximately 6,665.5 square metres. The land use rights of the property have been granted for a term expiring on 22 November 2046 for commerce and finance purposes.	The property is currently vacant.	14,700,000 (100% interest attributable to the Target Group: 14,700,000)

Notes:

1. Pursuant to the Land Use Right Grant Contract entered into between the Lianyungang State Land Resource Administration Bureau (as Grantor) and Jiatai Tongren (formerly known as Lianyungang Jiatai City Development Company Limited （連雲港嘉泰城市發展有限公司, as Grantee)) on 23 October 2006, the Grantor granted the land use rights of the subject land parcel with an area of 6,665.5 square metres to the Grantee for a land use right term of 40 years for commercial and office purposes at a land premium RMB5,100,000.

2. Pursuant to the Land Use Right Transfer Contract entered into between Lianyungang Jiatai City Development Company Limited (as Transferor) and Lianyungang Haipan Property Development Co., Ltd.（連雲港海畔房地產開發有限公司, a wholly-owned subsidiary of Jiatai Tongren, as Transferee) on 12 April 2010, the Transferor transferred all benefits and burdens of the aforesaid Land Use Right Grant Contract to the Transferee on gratuitous basis.

3. As revealed by a State-owned Land Use Right Certificate (Ref: Lian Guo Yong (2010) Di No. LY001474（連國用(2010)第LY001474號）) dated 7 May 2010, the land use rights of the property with an area of 6,665.5 square metres are held by Lianyungang Haipan Property Development Co., Ltd. for a term expiring on 22 November 2046 for commerce and finance purposes（商務金融用地）.

4. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

   Land Use Right Transfer Contract : Yes
   State-owned Land Use Right Certificate : Yes

5. The opinion from the PRC legal advisors of the Company on the property is as follows:

   i. Lianyungang Haipan Property Development Co., Ltd. has obtained the State-owned Land Use Right Certificate for the property and has the right to develop, transfer and mortgage the land use rights of the property; and

   ii. The property is free from any mortgage.

VALUATION CERTIFICATE

Group III – Property interests held by the Target Group under development

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
7.	Block 9 – 12, Kangya Garden under construction located in northern side of Tongren Hospital and eastern side of Nan Shi Fu Zhong, Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC. （中國江蘇省南京市江寧開發區南師附中以東、同仁醫院以北康雅苑第9-12棟在建工程）	The property comprises a parcel of land with a site area of approximately 17,233 square metres on which four blocks of residential apartments together with retail facilities and underground parking spaces are under construction. The development is scheduled to be completed on 2014. Upon completion, the development will have a total superstructure and substructure gross floor areas of approximately 42,208.81 square metres and 33,574.94 square metres respectively. The land use rights of the property have been granted for a term expiring on 12 October 2076 for residential use.	The property is currently under construction.	270,900,000 (69.35% interest attributable to the Target Group: 187,869,150)

Notes:

1. Pursuant to a Land Use Right Grant Contract (Ref: Jiang Ning Guo Tu Chu He No. (2005)056（江寧國土出合(2005)056號）entered into between the Nanjing Jiangning District Land Resources Bureau（南京市國土資源局江寧分局, as the Grantor) and Nanjing Tongren Industrial Co., Ltd.（南京同仁實業有限公司, as the Grantee), a wholly-owned subsidiary of Jiatai Tongren on 31 October 2005, the land parcel of the property with an area of 140,552.90 square metres was granted by the Grantor to the Grantee for a land use right term of 70 years for residential use at a land premium of RMB140,000,000 which has been settled in full.

2. As revealed by a State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2006) Di No. 16924（寧江國用(2006)第16924號）) dated 23 November 2006 issued by the Municipal Government of Nanjing City, the land use rights of a portion of the subject land parcel of the property with an area of 13,086.10 square metres are held by Nanjing Tongren Industrial Co., Ltd. (as Grantee) for a term expiring on 12 October 2076 for residential use.

3. As revealed by another State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2008) Di No. 18109（寧江國用(2008)第18109號）) dated 16 October 2008 issued by the Municipal Government of Nanjing City, the land use rights of the remaining portion of the subject land parcel of the property with an area of 127,467.10 square metres are held by Nanjing Tongren Industrial Co., Ltd.) for a term expiring on 12 October 2076 for residential use.

4. As revealed by a Construction Land Use Planning Permit（建設用地規劃許可證）(Ref: Gui Jiang Ning Yong Di (2005) Di No. 0026（規江寧用地(2005)第0026號）) issued by Nanjing City Planning Bureau（南京市規劃局）on 31 October 2005 in the name of Nanjing Tongren Industrial Co., Ltd., the permitted planning use of the land subject land parcels is Residential (Type 2).

5. As revealed by a Planning Permit of Construction Work（建設工程規劃許可證）(Ref: Jian Zi Di No. 320115201281582（建字第 320115201281582號）issued by the Nanjing Planning Bureau（南京市規劃局）on 23 November 2012 in the name of Nanjing Tongren Industrial Co., Ltd., the construction of the subject buildings a total gross floor area of 75,783.75 square metres has been approved.

6. Nanjing Tongren Industrial Co., Ltd. is applying for Construction Works Commencement Permit for the property.

7. According to the information provided by the Company, as at the date of valuation, the construction costs already expended on the property and the further construction costs for completing the property are approximately RMB53,582,000 and RMB282,686,000 respectively. The market value of the property as if it were fully completed on the valuation date is RMB418,000,000.

8. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Land Use Right Grant Contract	: Yes
State-owned Land Use Right Certificate	: Yes
Construction Land Use Planning Permit	: Yes
Planning Permit of Construction Work	: Yes
Construction Works Commencement Permit	: No
Building Ownership Certificate	: No
Pre-sales Permit	: No

9. The opinion from the PRC legal advisors of the Company on the property is as follows:

   i. On 31 October 2005, the Nanjing State Land Resource Administration Bureau Jiangning Branch and Nanjing Tongren Industrial Co., Ltd. entered into a Land Use Right Grant Contract (Ref: Jiang Ning Guo Tu Chu He No. (2005)056（江寧國土出合 (2005)056號）by virtue of which the former party granted the land use rights of the subject land parcels with a total area of 140,552.9 square metres to the latter party for residential (Type 2) purposes for a term of 70 years commencing from the land handover date at a land premium of RMB140,000,000.

   ii. Nanjing Tongren Industrial Co., Ltd. was issued from the Municipal Government of Nanjing a State-owned Land Use Right Certificate a portion of the subject land parcel with an area of 13,086.1 square metres on 23 November 2006 and another State -owned Land Use Right Certificate the remaining portion of the subject land parcel with an area of 127,467.1 square metres on 16 October 2008.

   iii. Nanjing Tongren Industrial Co., Ltd. has obtained various Construction Land Use Planning Permits and Planning Permits of Construction Work for planning approval of the subject development;

iv. Nanjing Tongren Industrial Co., Ltd. is currently applying for the Construction Works Commencement Permit for the property;

v. The portion of the land use rights of the property (Ref: Ning Jiang Guo Yong (2008) Di No. 18109（寧江國用(2008)第18109號）) with a site area of 19,075.8 square metres are subject to a mortgage in favour of Zijin Rural Commercial Bank（紫金農商行）for a total loan amount of RMB48,000,000;

vi. Save for the aforesaid mortgage stated above, the property is free from any defect in rights or third party right which will lead to arbitration or litigation; and

vii. Portion of the land parcel held under the State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2008) Di No. 18109（寧江國用(2008)第18109號）) with an area of site area of 7,275.8 square metres is subject to a mortgage in favour of Zijin Rural Commercial Bank（紫金農商行）for a total loan amount of RMB20,000,000 maturing on 6 May 2013;

viii. Another portion of the land parcel held under the State-owned Land Use Right Certificate (Ref: Ning Jiang Guo Yong (2008) Di No. 18109（寧江國用(2008)第18109號）) with an area of site area of 11,800 square metres is subject to a mortgage in favour of Zijin Rural Commercial Bank（紫金農商行）for a total loan amount of RMB28,000,000 maturing on 2 September 2013;

ix. Save for the aforesaid mortgages, the property is free from any mortgage and title defect leading to arbitration or litigation;

x. Nanjing Tongren Industrial Co., Ltd. has the rights to mortgage, transfer or pre-sales the property (after satisfying relevant pre-sales conditions) in accordance with relevant PRC law; and

xi. As confirmed by Nanjing Tongren Industrial Co., Ltd., it is estimated that the Construction Works Commencement Permit of the property will be obtained in June 2013; the Pre-sales Permit of the property will be obtained before the end of 2013;

xii Nanjing Tongren Industrial Co., Ltd. expected that the application of Building Ownership Certificate for the property will be completed within two years. The application involves the following procedures:-

a. to obtain the Construction Works Commencement Permit and the pre-sales permit of the property;

b. to apply for the building work examination and satisfaction completion from the relevant department;

c. to provide the relevant registration document to the owner and the owner completes the building ownership registration; and

d. to complete of the above procedures and complete the building ownership registration from the relevant department

xiii. As confirmed by Nanjing Tongren Industrial Co., Ltd., it is eligible to apply for Building Ownership Certificate for the property upon completion of the above procedures and there is no legal impediment under the existing situation.

VALUATION CERTIFICATE

Group V – Property interests rented by the Target Group

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2013 *RMB*
8.	Building and land nearby Erhuan Road of Jinshi Xiaoqu, Xiaozhuang Lijiaoqiao, Longquan Town, Guandu District, Kunming City, Yunnan Province, the PRC. (中國雲南省昆明市官渡區龍泉鎮小莊立交橋金實小區二環路旁的土地及建設物)	The property comprises an 11-storey hospital building, a 5-storey ancillary building and ancillary facilities completed in about 1999. The land area and the total gross floor area of the property are approximately 1,080 square metres and 14,000 square metres respectively.. The property is held by the Group under a tenancy for a term of 40 years commencing on 1 June 2003 and expiring on 31 May 2043 at an annual rental of RMB500,000 for the first ten years, RMB600,000 for the second ten years, RMB720,000 for the third ten years and RMB864,000 for the last ten years period exclusive of water and electricity charges.	The property is current being occupied by a hospital namely the Yunnan Xin Xinhua Hospital. (See note 2 below)	No commercial value (see note 4 below)

Notes:

1. Pursuant to a tenancy agreement dated 11 June 2004, Yunnan Tongren Xinhua Hospital Company Limited (雲南同仁新華醫院有限公司 and now known as Yunnan Xin Xinhua Hospital Company Limited), a wholly-owned subsidiary of Jiatai Tongren, rented the property with a total gross floor area of approximately 14,000 square metres from Guandu Longquan Xiaozhuang Stock Cooperatives (官渡區龍泉鎮小莊股份合作社) for a term of 40 years commencing on 1 June 2003 and expiring on 31 May 2043 at an annual rental of RMB500,000 for the first ten years, RMB600,000 for the second ten years, RMB720,000 for the third ten years and RMB864,000 for the last ten years period exclusive of water and electricity charges.

2. Pursuant to an Escrow Agreement dated 19 May 2010 between Tongren Healthcare Industry Group Company Limited ("Tongren Healthcare")（同仁醫療產業集團有限公司）, a subsidiary of Jiatai Tongren and Huang Kun（黃昆）, Huang Kun was vested the operating rights of the Yunnan Kunming Tongren Hospital Northern Zone (currently known as the Yunnan Xin Xinhua Hospital) for a term of 5 years commencing from 1 June 2010 and expiring on 2 May 2015. In return, Tongren Healthcare is entitled to an annual fixed return of RMB6,000,000 for the first year, RMB7,000,000 for the second year, RMB8,000,000 for the third year, RMB9,000,000 for the fourth year and RMB10,000,000 for the fifth year payable by Huang Kun quarterly.

3. The opinion from the PRC legal advisors of the Company on the property is as follows:

   i. On 11 June 2004, Yunnan Xin Xinhua Hospital Company Limited（雲南新新華醫院有限公司）rented the property from Guandu Longquan Xiaozhuang Stock Cooperatives（官渡區龍泉鎮小莊股份合作社）for a term commencing on 1 June 2003 and expiring on 31 May 2043;

   ii. The tenancy agreement does not contravene the PRC Laws and is considered leagal and valid;

   iii. Guandu Longquan Xiaozhuang Stock Cooperatives is the owner of the property of which the land use rights are in the nature of collectively-owned land use rights;

   iv. Pursuant to aforesaid tenancy agreement, Yunnan Xin Xinhua Hospital Company Limited has the leasehold interest of the property; and

   v. On 19 May 2010, Tongren Healthcare and Huang Kun（黃昆）entered into a Escrow Agreement（托管協議）by virtue of which Huang Kun was entitled to the operating rights of the Yunnan Kunming Tongren Hospital Northern Zone (Yunnan Xin Xinhua Hospital, 云南昆明同仁医院北院區（云南新新华医院）) for a period from 1 June 2010 to 313 May 2015. The escrow agreement does not contravene the PRC Laws and is legal and valid.

4. We have ascribed no commercial value of the property due to the non-assignable nature of the land use rights of the property.

Property Value Reconciliation

Group 1- Property interests held by the Target Group for Sale

Property	**Property No. 1 Various residential units and car parking spaces located in Dianchi Yinxiang International Garden, western side of Jinjia River and southern side of Guangfu Road, Kunming City, Yunnan Province, the PRC.**
Carrying value as at 31 December 2012 *(Note 1)*	21,469,934
Addition/(Reduction) for the 2 months ended 28 February 2013 *(Note 2)*	0
Depreciation for the 2 months ended 28 February 2013 *(Note 2)*	0
Carrying value as at 28 February 2013 *(Note 3)*	21,469,934
Valuation Report as at 28 February 2013	31,300,000

Notes:–

1. extracted from accountants' report for year ended 31 December 2012 with Property No.1 classified as part of the properties held for sale (Page 57 of this circular)

2. extracted from the management account for period ended 28 February 2013

3. extracted from the management account for period ended 28 February 2013

4. amount denominated in RMB are translated into HK$ at the exchange rate of approximately RMB1.00 to HK$1.24

Property Value Reconciliation

Group II – Property interests held and operated by the Target Group

Property	**Property No. 3 Various buildings and land located in western side of Jinjia River and southern side of Guangfu Road, Kunming City, Yunnan Province, the PRC**	**Property No. 4 Various buildings and land located in Nanjing Tongren Hospital and Elderly Rehabilitation Centres, Jiangning Development Zone, Jiyin Avenue, Nanjing City, Jiangsu Province, the PRC.**
Carrying value as at 31 December 2012 *(Note 1)*	574,532,747	401,618,277
Addition/(Reduction) for the 2 months ended 28 February 2013 *(Note 2)*	2,781,509.53	1,936,467.65
Depreciation for the 2 months ended 28 February 2013 *(Note 2)*	0	11,022,286.96
Carrying value as at 28 February 2013 *(Note 3)*	577,314,256.53	392,532,457.69
Valuation Report as at 28 February 2013	708,800,000	596,800,000

Notes:–

1. extracted from accountants' report for year ended 31 December 2012 with Property No.3 and No.4 classified as buildings (Page 102 of this circular) and prepaid lease payments (Page 57 of this circular)

2. extracted from the management account for period ended 28 February 2013

3. extracted from the management account for period ended 28 February 2013

4. amount denominated in RMB are translated into HK$ at the exchange rate of approximately RMB1.00 to HK$1.24

Property Value Reconciliation

Group III – Property interests held by the Target Group for future development

Property	Property No. 5 Two parcels of land located in southern side of Changyu Road and eastern side of Jinqiao Road, Lingang Chanye Zone, Development Zone, Lianyungang City, Jiangsu Province, the PRC.	Property No. 6 A parcel of land located outside the Export and Processing Zone, Development Zone, Lianyungang City, Jiangsu Province, the PRC.
Carrying value as at 31 December 2012 *(Note 1)*	279,486,210.4	5,305,790
Addition/(Reduction) for the 2 months ended 28 February 2013 *(Note 2)*	0	0
Depreciation for the 2 months ended 28 February 2013 *(Note 2)*	0	0
Carrying value as at 28 February 2013 *(Note 3)*	279,486,210.4	5,305,790
Valuation Report as at 28 February 2013	284,600,000	14,700,000

Notes:–

1. extracted from accountants' report for the year ended 31 December 2012 with Property No.5 and No.6 classified as part of the properties under development of sale (Page 57 of this circular)

2. extracted from the management account for the period ended 28 February 2013

3. extracted from the management account for the period ended 28 February 2013

4. amount denominated in RMB are translated into HK$ at the exchange rate of approximately RMB1.00 to HK$1.24

Property Value Reconciliation

Group IV – Property interests held by the Target Group Under development

Property	**Property No. 2 & 7 Block 9 – 12, Kangya Garden under construction located in northern side of Tongren Hospital and eastern side of Nan Shi Fu Zhong, Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC.**	**Various commercial and residential units and car parking spaces within Kangya Garden located in northern side of Tongren Hospital and eastern side of Nan Shi Fu Zhong, Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC.**
Carrying value as at 31 December 2012 *(Note 1)*	369,617,463	
Addition/(Reduction) for the 2 months ended 28 February 2013 *(Note 2)*		
Depreciation for the 2 months ended 28 February 2013 *(Note 2)*		
Carrying value as at 28 February 2013 *(Note 3)*	369,617,463	
Valuation Report as at 28 February 2013	657,700,000	

Notes:–

1. extracted from accountants' report for the year ended 31 December 2012 with Property No.2 classified as part of the properties held for sale (Page 57 of this circular) and Property No.7 as properties under development for sale (Page 57 of this circular)

2. extracted from the management account for the period ended 28 February 2013

3. extracted from the management account for the period ended 28 February 2013

4. pursuant accountants' report as at 31 December 2012, Property No. 2 and 7 are combined

5. amount denominated in RMB are translated into HK$ at the exchange rate of approximately RMB1.00 to HK$1.24

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Long position in the Shares

	Number of ordinary shares of HK$0.01 each					
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of issued ordinary shares**
Ms. Chong Sok Un ("Ms. Chong")	–	–	391,125,707 *(Note)*	–	391,125,707	72.13%

Note:

Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owns 391,125,707 ordinary shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 391,125,707 ordinary shares of the Company.

(b) Substantial Shareholders' interests

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

Long positions in the Shares

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation *(Note)*	319,125,707	72.13%
China Spirit Limited ("China Spirit")	Held by controlled corporation *(Note)*	391,125,707	72.13%
Vigor Online Offshore Limited ("Vigor Online")	Beneficial owner *(Note)*	391,125,707	72.13%

Note:

Vigor Online, a wholly-owned subsidiary of China Spirit, owns 319,125,707 ordinary shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 391,125,707 ordinary shares of the Company.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

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 2012 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

(a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

(b) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more.

(c) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

6. LITIGATION

(a) In November 1998, a writ was issued against the Company's subsidiaries, Hongkong Digital Television Limited ("Digital TV", formerly known as Star Interactive Television Limited) and Star Telecom Services Limited ("STSL", formerly known as Hong Kong Star Internet Limited) by nCube Corporation ("nCube"), claiming the sum of approximately US$1,980,000 (equivalent to approximately HK$15,305,000) plus interest in relation to the alleged purchase of two MediaCube 3000 systems by Digital TV from nCube. The claim of nCube against STSL was on the basis of a chop of STSL on the contract between Digital TV and nCube. STSL had taken legal advice and had been advised that it was very unlikely that STSL would be held liable to the claim of nCube. Digital TV was also opposing the claim of nCube and had taken legal advice.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claim and, accordingly, had not made any provision in the consolidated financial statements in connection with the claim. Digital TV filed a defence in this section on 14 December 1998 and nCube had failed to take further action since that date. There was no progress since then in respect of the litigation.

(b) Stellar One Corporation ("Stellar One") served a statutory demand under Section 178 of the Companies Ordinance for the sum of approximately US$1,152,000 (equivalent to approximately HK$8,983,000) upon Digital TV in November 1998. Stellar One filed a winding up petition against Digital TV in December 1998 which was vigorously opposed by Digital TV. Digital TV applied for an order for security for the costs against Stellar One. On 4 May 1999, the Court ordered Stellar One to pay HK$200,000 to the court as security for the costs of Digital TV on or before 7 May 1999. Stellar One failed to pay that amount to the court. The petition was dismissed in November 1999 and Stellar One was to pay Digital TV its cost of the petition, which amounted to HK$254,000. Stellar One had indicated that it would proceed to arbitration in Honolulu to recover the alleged amount. Digital TV took legal advice and was advised that the arbitration proceedings had not commenced as of the date of this document.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claims and, accordingly, had not made any provision in the consolidated financial statements in connection with the claims.

Save and except for the matters specified above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Enlarged Group.

7. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group which are or may be material:

(a) a loan agreement dated 22 June 2011 entered into between Join Capital Limited ("Join Capital"), an indirect wholly-owned subsidiary of the Company, and Mabuhay Holdings Corporation ("Mabuhay"), relating to the granting of a loan facility of up to the US$3,200,265.11 by Join Capital to Mabuhay;

(b) the agreement dated 12 July 2011 entered into between Mission Time Holdings Limited, a direct wholly-owned subsidiary of the Company, and Capital Sharp Investment Limited ("Capital Sharp"), an Independent Third Party, in relation to the disposal of the loan note at a book carrying value of US$7,285,898.30 of the US$56,000,000 zero coupon notes due 2012 issued by Mulpha SPV Limited to Capital Sharp at a consideration of US$8,073,773.38;

(c) the agreement dated 24 May 2011 (the "Disposal Agreement") entered into between the Company, Besford International Limited ("Besford"), a direct wholly-owned subsidiary of the Company, New Able Holdings Limited and Allied Overseas Limited (each an Independent Third Party) for the sale and purchase of (i) one share in the issued share capital of Taskwell Limited ("Taskwell"), an indirect wholly-owned subsidiary of the Company; (ii) one share in the issued share capital of Rise Cheer Investments Limited ("Rise Cheer"), an indirect wholly-owned subsidiary of the Company; and (iii) all the interests, benefits and rights of and in the shareholder's loan owned by Taskwell and Rise Cheer to Besford as at the date of completion of the said disposal pursuant to the Disposal Agreement at a total consideration of HK$1,330,657,693.40;

(d) a loan agreement dated 4 August 2011 entered into between Join Capital as lender and Mr. Yuen Hoi Po ("Mr. Yuen"), an Independent Third Party, as borrower, relating to a short term loan of up to HK$53,000,000 granted by Join Capital to Mr. Yuen;

(e) a supplemental agreement dated 10 January 2012 entered into between Join Capital, Mabuhay and T & M Holdings, Inc. ("T&M"), a wholly-owned subsidiary of Mabuhay, relating to the extension of the repayment date under loan agreement dated 4 January 2011 entered into between Join Capital and Mabuhay in relation to a loan facility of HK$20 million granted by Join Capital to Mabuhay to 10 January 2013:

(f) the sale and purchase agreement dated 16 March 2012 entered into between Yu Ming Investment Management Limited ("Yu Ming"), an Independent Third Party, as purchaser and Action Best Limited ("Action Best"), an indirect wholly-owned subsidiary of the Company as vendor in relation to the disposal of the 8% senior, unsecured convertible notes issued by FKP Limited ("FKP") due 2016 in a principal sum of A$4 million (the "Convertible Notes I") (the "S&P Agreement I");

(g) the sale and purchase agreement dated 16 March 2012 entered into between Attractive Gain Limited, an Independent Third Party, as purchaser and Action Best as vendor in relation to the disposal of the 8% senior, unsecured convertible notes issued by FKP due 2016 in a principal amount of A$21 million;

(h) a loan agreement dated 13 April 2012 entered into between Join Capital as lender and Extra Earn Holdings Limited ("Extra Earn") as borrower relating to a loan facility of up to HK$56,000,000 granted by Join Capital to Extra Earn;

(i) a deed of variation dated 17 April 2012 entered into between Yu Ming and Action Best pursuant to which, inter alia, the parties mutually agreed to extend the long stop date of S&P Agreement I to 15 May 2012;

(j) a supplemental agreement dated 25 May 2012 entered into between Join Capital, Mabuhay and T&M in relation to extension of the repayment date under the loan agreement dated 22 June 2011 entered into between Join Capital and Mabuhay in relation to a loan facility of up to US3,200,265.11 granted by Join Capital to Mabuhay to 25 May 2013;

(k) a loan agreement dated 27 June 2012 entered into between Join Capital as lender, Lucky Full Investment Limited ("Lucky Full") and Union Profit International Limited ("Union Profit") as borrowers and Think Future Investments Limited ("Think Future"), TIDE HOLDINGS (CHINA) LIMITED (formerly known as Tide Holdings (H.K.) Limited) ("Tide Holdings") and Sunshine City (China) Limited ("Sunshine City") as security parties relating to the granting of a short term loan of aggregate amount in the limit of up to HK$400,000,000 (the "Loan");

(l) a share mortgage dated 27 June 2012 entered into between Sunshine City and Join Capital in respect of one issued share of HK$1.00 each of Lucky Full;

(m) a share mortgage dated 27 June 2012 entered into between Sunshine City and Join Capital in respect of one issued share of HK$1.00 each of Union Profit;

(n) a share mortgage dated 27 June 2012 entered into between Tide Holdings and Join capital in respect of one issued share of HK$1.00 each of Sunshine City;

(o) a share mortgage dated 27 June 2012 entered into between Think Future and Join Capital in respect of one issued share of HK$1.00 each of Tide Holdings;

(p) a share mortgage dated 27 June 2012 entered into between Jian Xiang Limited ("Jian Xiang") and Join Capital in respect of 200 issued shares of US$1.00 each of Think Future;

(q) a share mortgage dated 27 June 2012 entered into between Great Kingdom Holdings Limited ("Great Kingdom") and Join Capital in respect of 400 issued shares of US$1.00 each of Think Future;

(r) a debenture dated 27 June 2012 entered into between Union Profit and Join Capital in connection with the provision of security of the Loan;

(s) a debenture dated 27 June 2012 entered into between Lucky Full and Join Capital in connection with the provision of security of the Loan;

(t) a deed of assignment and subordination dated 27 June 2012 in respect of an amount of HK$20,632,772 due from Think Future to Jian Xiang;

(u) a deed of assignment and subordination dated 27 June 2012 in respect of an amount of HK$40,000,000 due from Think Future to Great Kingdom;

(v) the agreement dated 19 September 2012 entered into between Highest Score Limited and Champion Record Limited in relation to the acquisition of 90,000 ordinary shares in the issued share capital of Extra Earn;

(w) the Subscription Agreement;

(x) the sale and purchase agreement dated 6 March 2013 entered into between Jiatai Tongren and Mr. Liu Guang Qing, an Independent Third Party, for the sale and purchase of the entire registered capital of Lianyungang Chengtai Property Limited 連雲港成泰置業有限公司 at a consideration of RMB250 million; and

(y) the cooperative agreement dated 25 March 2013 entered into between Jiatai Tongren and Mr. Yu Zhen Kun ("Mr. Yu") in relation to inter alia, a joint venture hospital specializing in eye, ear, nose and throat with a tentative registered capital amount of RMB80,000,000 (the "Joint Venture"), in which Jiatai Tongren will contribute RMB60,000,000 for a 60% interest, and Mr. Yu and his professional team will contribute RMB20,000,000 for a 40% interest in the registered capital of the Joint Venture.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date, which are or may be material.

8. MATERIAL ADVERSE CHANGE

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

9. QUALIFICATIONS OF EXPERT

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

Name	Qualification
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants
Asset Appraisal Limited	Independent Property Valuer
Yunnan Youyuan Law Firm (雲南友六律師事務所)	PRC Lawyers
Beijing Yingke (Nanjing) Law Firm – Nanjing office (北京盈科(南京)律師事務所)	PRC Lawyers
Jiangsu Tianwan Law Firm (江蘇田灣律師事務所)	PRC Lawyers

10. CONSENTS OF EXPERT

Deloitte, Asset Appraisal Limited , Yunnan Youyuan Law Firm, Beijing Yingke (Nanjing) Law Firm – Nanjing office and Jiangsu Tianwan Law Firm have given and have not withdrawn their written consent to the issue of this circular with the inclusion of its letter and reports and references to their name in the form and context in which they appear.

11. INTERESTS OF EXPERT

As at the Latest Practicable Date, Deloitte, Asset Appraisal Limited , Yunnan Youyuan Law Firm, Beijing Yingke (Nanjing) Law Firm – Nanjing office and Jiangsu Tianwan Law Firm:

(a) did not have any shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) was not interested, directly or indirectly, in any assets which had been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group since 30 June 2012, being the date on which the latest published audited consolidated accounts of the Group were made up.

12. GENERAL

(a) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The head office and principal place of business in Hong Kong of the Company is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

(c) The secretary of the Company is Ms. Fung Ching Man, Ada. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(d) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited, 26 Burnaby Street, Hamilton HM 11, Bermuda.

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

(f) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays and public holidays) at the head office and principal place of business in Hong Kong of the Company at 47/F., China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong from the date of this circular up to and including 24 May 2013:–

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;

(c) the annual reports of the Company for the period of eighteen months ended 30 June 2011 and for the year ended 30 June 2012 and the interim reports of the Company for the six months ended 31 December 2011 and 31 December 2012;

(d) the circulars of the Company dated 15 July 2011, 20 April 2012 and 31 July 2012;

(e) the property valuation report on the Target Group issued by Asset Appraisal Limited, the text of which is set out on pages 141 to 173 of this Circular;

(f) the report issued by Deloitte on the Unaudited Pro Forma Financial Information of the Enlarged Group, the text of which is set out in Appendix III of this circular;

(g) the written consents referred to under "Consents of Expert" in this Appendix;

(h) the comfort letter dated 10 May 2013 issued by Deloitte to the Board; and

(i) this circular.