THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Yestar International Holdings Company Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Yes!Star

Yestar International Holdings Company Limited
巨星國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

MAJOR ACQUISITION

A letter from the board of directors of Yestar International Holdings Company Limited is set out on pages 6 to 43 of this circular.

30 June 2015

CONTENTS

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

"2015 Net Profit or 2015 Net Loss"	the audited combined net profits or loss after taxation of the Target Companies for the financial year ending 31 December 2015, expressed in RMB in respect of the period after Completion up to 31 December 2015
"2016 Net Profit or 2016 Net Loss"	the audited combined net profits or loss after taxation of the Target Companies for the financial year ending 31 December 2016, expressed in RMB
"2017 Net Profit or 2017 Net Loss"	the audited combined net profits or loss after taxation of the Target Company for the financial year ending 31 December 2017, expressed in RMB
"Acquisition"	the acquisition by the Purchaser from the Vendors of the 70% of the entire equity interest in each of the Target Companies
"Actual Net Profit"	Any of the 2015 Net Profit, 2016 Net Profit and 2017 Net Profit
"associate(s)"	has the meanings given to it under the Listing Rules
"Company"	Yestar International Holdings Company Limited(巨星國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition, being the completion of (i) the change in business registration of the Target Companies; and (ii) the amendment of the register of shareholders of the Target Companies in accordance with the laws of the PRC
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning given to it in the Listing Rules
"Controlling Shareholders"	Ms. Hartono Jeane, Mr. Hartono James, Mr. Hartono Rico and Ms. Hartono Chen Chen Irene, who were interested and deemed interested in an aggregate of approximately 71.06% of the issued shares of Company as at the Latest Practicable Date
"Consideration"	aggregate consideration of RMB910 million (including taxes and fees) for the Acquisition which shall be paid by the Purchaser pursuant to the Share Transfer Agreement
"CP Completion Date"	the date on which all conditions precedent of the Share Transfer Agreement have been fulfilled or waived (as the case maybe) according to a written confirmation issued by the Purchaser

"Director(s)"	director(s) of the Company
"Enlarged Group"	The Group together with the Target Companies
"Group"	collectively, the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Latest Practicable Date"	29 June 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Jiang Chao"	Mr. Jiang Chao (蔣超), held on behalf of Mr. Li Bin, 46% interested in Shanghai Emphasis Investment as at the Latest Practicable Date, an independent third party of the Company prior to Completion
"Mr. Li Bin"	Mr. Li Bin (李斌), beneficially interested in 99% of each of Shanghai Emphasis Investment, Shanghai Jianchu Medical, Shanghai Chaolian Trading, Shanghai Haole Industrial and Shanghai Dingpei Industrial respectively as at the Latest Practicable Date, an independent third party of the Company prior to Completion
"Mr. Li Changgui"	Mr. Li Changgui (李長貴), held on behalf of Mr. Li Bin 25% interest in Shanghai Emphasis Investment as at the Latest Practicable Date, an independent third party of the Company prior to Completion
"Mr. Li Changkuan"	Mr. Li Changkuan (李長寬), interested in 1% of Shanghai Jianchu Medical as at the Latest Practicable Date, an independent third party of the Company prior to Completion
"Ms. Liu Hong"	Ms. Liu Hong (劉紅), interested in 1% of Shanghai Dingpei Industrial as at the Latest Practicable Date, an independent third party of the Company prior to Completion
"Ms. Liu Weiyue"	Ms. Liu Weiyue (劉煒玥), interested in 1% and 1% of Shanghai Emphasis Investment and Shanghai Haole Industrial respectively as at the Latest Practicable Date, an independent third party of the Company prior to Completion

"Ms. Yu Liping"	Ms. Yu Liping (于莉萍), interested in 1% of Shanghai Chaolian Trading as at the Latest Practicable Date, an independent third party of the Company prior to Completion
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Adviser"	Jingtian & Gongcheng
"Roche"	羅氏診斷產品(上海)有限公司 (Roche Diagnostics (Shanghai) Ltd*)
"Roche Products"	the products of Roche
"Sale Capitals"	70% of the entire equity interests in each of the Target Companies
"Shanghai Chaolian Trading"	上海超聯商貿有限公司 (Shanghai Chaolian Trading Co., Ltd*), a company established in the PRC with limited liability on 26 February 2002 whose registered capital is owned as to 99% by Mr. Li Bin and 1% by Ms. Yu Liping as at the Latest Practicable Date, and one of the Target Companies
"Shanghai Dingpei Industrial"	上海定佩實業有限公司 (Shanghai Dingpei Industrial Co., Ltd*), a company established in the PRC with limited liability on 4 April 2014 whose registered capital is owned as to 99% by Mr. Li Bin and 1% by Ms. Liu Hong as at the Latest Practicable Date, and one of the Target Companies
"Shanghai Emphasis Medical Device"	上海安百達醫療器械有限公司 (Shanghai Emphasis Medical Device Co., Ltd*), a company established in the PRC with limited liability on 28 May 2013, whose registered capital is owned as to 99% by Mr. Li Bin and 1% by Ms. Liu Hong
"Shanghai Emphasis Investment"	上海安百達投資管理顧問有限公司 (Shanghai Emphasis Investment Management Consulting Co., Ltd*), a company established in the PRC with limited liability on 4 April 2005, whose registered capital is owned as to 46% by Mr. Jiang Chao, 28% by Mr. Li Bin, 25% by Mr. Li Changgui and 1% by Ms. Liu Weiyue as at the Latest Practicable Date, and one of the Target Companies
"Shanghai Haole Industrial"	上海灝樂實業有限公司 (Shanghai Haole Industrial Co., Ltd*), a company established in the PRC with limited liability on 1 June 2010, whose registered capital is owned as to 99% by Mr. Li Bin and 1% by Ms. Liu Weiyue as at the Latest Practicable Date, and one of the Target Companies

"Shanghai Hongjue"	上海紅爵信息科技發展有限公司 (Shanghai Hongjue Information Technology Development Co., Ltd*), a company established in the PRC with limited liability on 6 September 2006, whose registered capital is owned as to 61% by Mr. Li Bin
"Shanghai Jianchu Medical"	上海建儲醫療器械有限公司 (Shanghai Jianchu Medical Instrument Co., Ltd*), a company established in the PRC with limited liability on 26 August 2011, whose registered capital is owned as to 99% by Mr. Li Bin and 1% by Mr. Li Changkuan as at the Latest Practicable Date, and one of the Target Companies
"Shanghai Zhekai"	上海喆凱實業有限公司 (Shanghai Zhekai Industrial Co., Ltd*), a company established in the PRC with limited liability on 12 June 2006, whose registered capital is owned as to 88% by Mr. Li Bin and 1% by Ms. Liu Weiyue
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Share Transfer Agreement"	The agreement dated 9 April 2015 entered into between the Purchaser and the Vendors to acquire the Sale Capitals for an aggregate consideration of RMB910 million
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	collectively, Shanghai Emphasis Investment, Shanghai Jianchu Medical, Shanghai Chaolian Trading, Shanghai Haole Industrial and Shanghai Dingpei Industrial
"Thermo Fisher"	賽默飛世爾科技(中國)有限公司 (Thermo Fisher Technology (PRC) Limited*)
"Thermo Fisher Products"	the products of Thermo Fisher
"Vendors"	collectively, Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, and each a "Vendor"
"Yestar Medical" or "Purchaser"	廣西巨星醫療設備有限公司 (Guangxi Yestar Medical Equipment Co., Ltd*), a company established in the PRC with limited liability on 24 December 2009 and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

"%"	per cent.

* *English transliteration of the Chinese name(s) for identification purpose only and should not be regarded as the official English name(s) of such Chinese name(s)*

For ease of reference and unless otherwise specified in this circular, sum in HK$ and RMB in this circular is translated at the rate of RMB1.0 = HK$1.27. This does not mean that HK$ could be converted into RMB, or vice versa, based on such exchange rate.

In case of any inconsistency, the English text of this circular shall prevail over the Chinese text.

Yes!Star

Yestar International Holdings Company Limited
巨星國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

Executive Directors:
Mr. Hartono James *(Chairman)*
Ms. Wang Ying
Mr. Chan To Keung
Ms. Wang Hong *(Chief Financial Officer)*
Ms. Zhang Qi
Ms. Heng Yinmei

Independent Non-executive Directors:
Dr. Hu Yiming
Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
Mr. Sutikno Liky

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 2102A, 21/F.
The Centrium
60 Wyndham Street
Central
Hong Kong

Principal place of business in Shanghai:
Room 805, Block 2
No. 58 Shen Jian Dong Lu
Min Hang District
Shanghai
PRC

30 June 2015

To the Shareholders,

Dear Sirs,

MAJOR ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 10 April 2015. On 9 April 2015, the Purchaser, the Vendors and the Target Companies entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell, the Sale Capitals (representing 70% of the entire equity interests in each of the Target Companies) at a consideration of RMB910 million (equivalent to approximately HK$1,155.7 million). The Consideration is to be satisfied by cash by way of internal cash resources, banking facilities and/or possible equity fund raising.

The purpose of this circular is to provide the Shareholders with information in respect of the details of Acquisition.

THE SHARE TRANSFER AGREEMENT

Date:

9 April 2015

Parties to the Acquisition Agreement:

(i) Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, together as the Vendors;

(ii) Yestar Medical, a wholly-owned subsidiary of the Company, as the Purchaser;

(iii) Shanghai Emphasis Investment, which is legally owned as to 28%, 1%, 46% and 25% by Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao and Mr. Li Changgui respectively and beneficially owned as to 99% by Mr. Li Bin and 1% by Ms. Liu Weiyue before Completion;

(iv) Shanghai Jianchu Medical, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Mr. Li Changkuan respectively before Completion;

(v) Shanghai Chaolian Trading, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Ms. Yu Liping respectively before Completion;

(vi) Shanghai Haole Industrial, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Ms. Liu Weiyue respectively before Completion; and

(vii) Shanghai Dingpei Industrial, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Ms. Liu Hong respectively before Completion.

Interests to be acquired of under the Acquisition

Pursuant to the Share Transfer Agreement, the Purchaser will acquire from the Vendors the Sale Capitals, representing 70% of the entire equity interests of each of the Target Companies. Immediately after Completion, the entire equity interests in each of the Target Companies will be owned as to 70% by the Purchaser. Details of the Sale Capitals are set out below:

	Shanghai Emphasis Investment	Shanghai Jianchu Medical	Shanghai Chaolian Trading	Shanghai Haole Industrial	Shanghai Dingpei Industrial
Mr. Li Bin	—	69%	69%	69%	69%
Ms. Liu Weiyue	1%	—	—	1%	—
Mr. Jiang Chao	46%*	—	—	—	—
Ms. Yu Liping	—	—	1%	—	—
Ms. Liu Hong	—	—	—	—	1%
Mr. Li Changgui	23%*	—	—	—	—
Mr. Li Changkuan	—	1%	—	—	—
Sale Capitals	70%	70%	70%	70%	70%

* *Shares held by Mr. Jiang Chao and Mr. Li Changgui in Shanghai Emphasis Investment are held on behalf of Mr. Li Bin.*

Consideration

The Consideration for the Acquisition is RMB910 million (equivalent to approximately HK$1,155.7 million). The payment amount set out below included all relevant taxes and fees to be withheld or paid to the PRC authorities. The approximate payment to each of the Vendors for their respective shareholding (including taxes and fees) in each of the Target Companies will be as follows:

	Shanghai Emphasis Investment *RMB' million*	Shanghai Jianchu Medical *RMB' million*	Shanghai Chaolian Trading *RMB' million*	Shanghai Haole Industrial *RMB' million*	Shanghai Dingpei Industrial *RMB' million*	Total *RMB' million*
Mr. Li Bin	—	154.1	8.7	207.3	8.7	378.8
Ms. Liu Weiyue	7.5	—	—	3.0	—	10.5
Mr. Jiang Chao	345.5	—	—	—	—	345.5
Ms. Yu Liping	—	—	0.1	—	—	0.1
Ms. Liu Hong	—	—	—	—	0.1	0.1
Mr. Li Changgui	172.8	—	—	—	—	172.8
Mr. Li Changkuan	—	2.2	—	—	—	2.2
Individual consideration	525.8	156.3	8.8	210.3	8.8	910

The Consideration of RMB910 million, subject to relevant taxes (equivalent to approximately HK$1,155.7 million) shall be paid by the Purchaser in the following manner:

(i) as to RMB546 million (equivalent to approximately HK$693.5 million) (being 60% of the Consideration) within 30 days after the CP Completion Date;

(ii) as to RMB182 million (equivalent to approximately HK$231.1 million) (being 20% of the Consideration) within 90 days after the CP Completion Date or within 30 days after the completion of the change in business registration for all of the Target companies (whichever is later); and

(iii) as to RMB182 million (equivalent to approximately HK$231.1 million) (being 20% of the Consideration) within 180 days after the CP Completion Date.

Upon payment of 60% of the Consideration by the Purchaser and the issue of written confirmation by the Purchaser confirming that all conditions precedent have been fulfilled or waived (as the case maybe), the Vendors and the Purchaser shall jointly use their best endeavours to complete the relevant share transfer registration procedures within 30 days after the CP Completion Date. If the share transfer registration procedures are not completed within 60 days after the CP Completion Date, the Purchaser shall have the right to notify the Vendors in writing to terminate the Share Transfer Agreement and all Consideration paid by the Purchaser in full amount, if any, shall be returned by the Vendors to the Purchaser.

The tax expenses in respect of the transfer of the Sale Capitals under the applicable laws of the PRC shall be borne by the Vendors and all professional fees incurred by the each of the parties to the Share Transfer Agreement shall be borne by the each of the respective parties in the Share Transfer Agreement. Associated taxes shall be deducted from each payment of Consideration and the Vendors' net receipt of Consideration shall be subject to the final amount of taxes withheld or paid by the Purchaser on behalf of each of the Vendors.

Guarantee on the recovery of account receivables

The Vendors have also guaranteed under the Share Transfer Agreement to recover all outstanding account receivables of the Target Companies as at the date of the Share Transfer Agreement. Such account receivables shall be recovered within 180 days from the date of CP Completion Date and if such account receivables have not been settled within 180 days from the CP Completion Date, the Purchaser shall withhold any outstanding account receivables balance from the last payment of Consideration payable to the Vendors. The amount of the Consideration withheld by the Purchaser shall be paid to the Vendors within 30 days after the settlement of the account receivables balance.

The chief financial officer of the Target Companies will monitor the outstanding account receivables balance on a continuing basis and review the recoverability on a regular basis. Should the respective Target Companies consider the outstanding account receivables balance to be in default, the respective Target Companies will write off such balance and the payment withheld by the Group will be deducted from the Consideration.

For details regarding the outstanding account receivables balances of the Target Companies, please refer to the below section headed "Recovery of account receivables".

Non-compete arrangements

- In order to avoid any possible future competition between the Vendors and the Enlarged Group, within 5 days of the signing of the Share Transfer Agreement, the associated companies of Mr. Li Bin, Mr. Li Changgui and their associates (including but not limited to Shanghai Hongjue, Shanghai Zhekai and Shanghai Emphasis Medical Device) shall execute a written undertaking to undertake that they shall not involve in any business in competition with the Target Companies or engage in any connected transactions with the Target Companies, save for the approval of the board of directors of the Target Companies.

- The Vendors also irrevocably and unconditionally undertake that they shall not involve in any business in competition with the Target Companies including acting as directors, supervisors, consultants or any forms of engagement with any entities engaging in similar or same business of the Target Companies.

- When business opportunities which may compete with the business of the Target Companies arise, the Vendors shall notify the Purchaser at once in writing. Even if the Purchaser decides not to proceed with the business opportunities, the Vendors and their associates shall not proceed with the business opportunities declined by the Purchaser.

- The Vendors undertake not to persuade any of the employees of the Target Companies to terminate their employment with the Target Companies or employ employees of the Target Companies via companies directly or indirectly invested by the Vendors.

Distributable profits of the Target Companies

The parties to the Share Transfer Agreement agreed that the Purchaser shall be entitled to all accumulated distributable profits as at 31 December 2014 (which have yet been declared or distributed) after deducting all amount due from the Vendors of the Target Companies for the year ended 31 December 2014 upon Completion. The accumulated distributable profits as at 31 December 2014 (which have yet been declared or distributed) after deducting all amount due from the Vendors of the Target Companies for the year ended 31 December 2014 for Shanghai Emphasis Investment, Shanghai Chaolian Trading, Shanghai Jianchu Medical, Shanghai Haole Industrial, and Shanghai Dingpei Industrial amounted to RMB57.6 million (the accumulated distributable profits amounted to RMB117.2 million less the amount due to controlling shareholder amounted to RMB59.6 million as at 31 December 2014), nil, nil, nil and RMB1.0 million respectively. The Vendors and the Target Companies undertook not to by any means declare or distribute any of the aforesaid distributable profits of the Target Companies before the Completion.

The Purchaser, Mr. Li Bin and Mr. Li Changgui shall be entitled to any distributable profits of the Target Companies after 31 December 2014 according to their respective shareholding.

Profit guarantee

Pursuant to the Share Transfer Agreement, Mr. Li Bin irrevocably and unconditionally guarantees that each of the 2015 Net Profit, 2016 Net Profit and 2017 Net Profit shall not be less than RMB156.0 million (equivalent to approximately HK$198.1 million), RMB187.0 million (equivalent to approximately HK$237.5 million) and RMB225.0 million (equivalent to approximately HK$285.8 million) (each the "Annual Guarantee Profit") respectively.

The Annual Guarantee Profit was determined after arm's length negotiation between the Group and the Vendors, based on (i) the historical results of the Target Companies for the year ended 31 December 2014 including the sales figures of Roche Products and Thermo Fisher of the Target Companies; (ii) the business growth and profitability of the Target Companies; and (iii) the prospect of healthcare industry in the PRC. The Annual Guarantee Profit for the year ended 31 December 2015 of RMB156 million represents approximately an increase of 60% as compared to the combined unaudited profit after taxation of the Target Companies of RMB97.2 million. When coming up with the Annual Guarantee Profit for the year ended 31 December 2015, the Vendors and the Directors took into account (i) the historical compound annual growth rate of the sales figures of Roche Products and Thermo Fisher Products of 32%; (ii) the number of medical equipment installed in 2015 prior to the entering into the Share Transfer Agreement and the upcoming installation plan for the remaining equipments to be installed in 2015; and (iii) the full year effect on leasing of medical equipment and distribution of medication equipment consumables to hospitals with medical equipment installed in the second half of 2015. The Vendors and the Directors, after negotiation, mutually determined the Annual Guarantee Profit for the year ended 31 December 2015 to be RMB156 million. When determining the fairness and reasonableness of of the Annual Guarantee Profit for the year ending 31 December 2015, the Directors have reviewed (i) the historical equipment installation record of the Target Companies during the past three years; (ii) the historical sales records after the equipment installation, of which the Directors noted that there will be a time lag of around four to six months between the the installation time and the time of consumable procurement; (iii) the latest cost budget of the Target Companies, of which the Directors noted that the Target Companies anticipated a decrease in average cost in 2015 as a result of the increase in purchase scale; and (iv) for the upcoming estimation on the installation of equipment, the available installation schedule as well as the preliminary installation orders on hand. Set out below is the revenue of the Target Companies for the four months ended 30 April 2015 as well as the information regarding equipment installed during the respective period:

	For the four months ended 30 April 2014	**For the four months ended 30 April 2015**
Revenue	RMB182.9 million	RMB238.4 million
Value of equipment installed	RMB19.2 million	RMB23.5 million
Number of equipment installed	27	24
Committed purchase	RMB13.3 million	RMB16.8 million
Average minimum committed purchase per equipment	RMB0.49 million	RMB0.7 million

As illustrated in the table above, the revenue of the Target Companies increased from RMB182.9 million for the four months ended 30 April 2014 to RMB238.4 million for the four months ended 30 April 2015, representing an increase of approximately 30%. Due the the increase in value of the equipment installed, the average minimum committed purchase per equipment recorded an increase of 42.9% for the four months ended 30 April 2015 as compared to the corresponding period in 2014.

As at 31 May 2015, the Target Companies have completed installation of over 40% of the estimated number of equipment to be installed in 2015 and had an additional of approximately 27% of equipment order on hand pending for upcoming installation. In view of such, the Directors considered that the estimated number of equipment to be installed in 2015 is reasonable and attainable. Furthermore, the Directors considered that with the combined effect of (i) the increase in average minimum committed purchase per equipment; and (ii) the Target Companies' anticipation of a decrease in average cost in 2015 as a result of the increase in purchase scale, the Annual Guarantee Profit for the year ended 31 December 2015 is factually supportable.

When determining the Annual Guarantee Profit for the years ending 31 December 2016 and 2017, the Directors have also factored in a general increase of 20% per annum based on the historical growth on profit of the Target Companies for the two years ended 31 December 2014 of approximately 16.4%. The Directors have also considered that historical growth of the PRC's in vitro diagnostic industry. According to the report issued by Renub Research in December 2014, the forecast market size of the PRC in vitro diagnostic industry will increase rapidly from US$2,641.8 million in 2013 to US$6,335.5 million in 2018, which represented a compound annual growth rate of approximately 19.2%. The Directors considered that the growth in the in vitro diagnostic market will likely to contribute to the increase in demand for the Target Companies products. In view of such, the Directors agreed a growth of 20% per annum for the profit guarantee for the 2016 and 2017 with the Vendors.

Based on the above mentioned factors, the Vendors are confident that the Target Companies will be able to meet the Annual Guarantee Profit in the coming years and hence, after arm's length negotiation between the Group and the Vendors, agreed a compensation on the shortfall of the Annual Guarantee Profit by multiplying any the shortfall by two up to the Consideration received by the Vendors. The Directors are of the view that, given in most cases, profit guarantees of acquisition transactions are compensated on a dollar to dollar basis, in view of the fact that the Vendors are willing to compensate any shortfall below the guarantee profit by 2 times, the terms of the Annual Guarantee Profit are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

In the event that any of the 2015 Net Profit, 2016 Net Profit and 2017 Net Profit is less than the Annual Guarantee Profit, Mr. Li Bin shall pay compensation to the Purchaser calculated by the following formula:

(Annual Guarantee Profit – Actual Net Profit) *2

The Annual Guarantee Profit for each of 2015, 2016 and 2017 shall be accounted for and audited in accordance with the IFRS, taking into account all gain and losses of the Target Companies.

Based on the historical records, the gain outside the ordinary and usual course of business of the Target Companies were amounted to approximately RMB0.1 million, RMB2.9 million and RMB3.3 million, respectively, for the three years ended 31 December 2012, 2013 and 2014, while the loss outside the ordinary and usual course of business of the Target Companies amounted to RMB0.9 million,RMB0.5 million and RMB0.3 million, respectively for the three years ended 31 December 2012, 2013 and 2014, which, in the Directors' opinion, were not material to the financial performance of the Target Companies. In addition, the Target Companies and the Directors do not anticipate any significant gain or loss items outside the ordinary and usual course of business in the coming three years, and accordingly for simplicity purposes and the ease for execution, no gain or loss items outside the ordinary and usual course of business of the Target Companies will be excluded from calculating the 2015 Net Profit, 2016 Net Profit and 2017 Net Profit.

The compensation shall be payable in cash by Mr. Li Bin to the Purchaser within 30 days after the issue of the relevant audited report for the corresponding financial year. The maximum compensation shall be up to the total Consideration received by the Vendors.

Should the Acquisition cannot be completed by the end of year 2015, pursuant to the formula for calculating the Annual Guarantee Profit, the financial results of the Target Companies will not be subject to the Annual Guarantee Profit. The Directors considered that given the Group will not be entitled to combined financial results of the Target Companies for the year ending 31 December 2015, it is reasonable for the financial results of the Target Companies for the year ending 31 December 2015 not to be subject to the Annual Guarantee Profit.

Notwithstanding the aforesaid, in the event that the aggregate sum of the 2015 Net Profit, 2016 Net Profit and 2017 Net Profit eventually exceeds the aggregate Annual Guarantee Profit of RMB568.0 million (equivalent to approximately HK$721.4 million), all compensation previously paid by Mr. Li Bin, if any, shall be refunded by the Purchaser.

An announcement in relation to the fulfilment of the Annual Profit Guarantee will be issued by the Company.

Post-Completion right and first right of refusal

Mr. Li Bin, Mr. Li Changgui and the Purchaser mutually agreed that should the 2015 Net Profit, 2016 Net Profit and 2017 Net Profit be able to reach the respective Annual Guarantee Profits, the Purchaser, subject to the compliance of relevant rules and regulations (including the Listing Rules), shall acquire the remaining 30% equity interest in each of the Target Companies (the "**Remaining Interests**") at a consideration of RMB675 million (equivalent to approximately HK$857.3 million), calculated according to a 10 times price to earnings multiple based on the Annual Guarantee Profit for the year ending 31 December 2017 (up to a maximum consideration of RMB675 million). The consideration for the Remaining Interests to be acquired shall also be satisfied by way of cash or other means of settlement as mutually agreed by the Purchaser, Mr. Li Bin and Mr. Li Changgui. The acquisition of the Remaining Interests shall also be conducted in a manner to be mutually agreed by the Purchaser, Mr. Li Bin and Mr. Li Changgui and a separate agreement will be entered into for such acquisition, if materialised, subject to the compliance with the then applicable provisions of the Listing Rules.

Mr. Li Bin and Mr. Li Changgui further undertook and agreed that during the three years ending 31 December 2017 and within one year after 31 December 2017, they shall not dispose of and cause any encumbrances to be created over the Remaining Interests to or in favour of any third parties without obtaining prior written consent from the Purchaser. Should Mr. Li Bin and Mr. Li Changgui intend to dispose of the Remaining Interests to any third parties after 31 December 2018, they should first serve a written notice (the "**Written Notice**") to the Purchaser setting out information about the proposed purchaser(s) of the Remaining Interests (the "**Transferees**"), as well as all terms and conditions of the transfer of the Remaining Interests to the Transferees. The Purchaser shall, within 14 business days after receipt of the Written Notice, have the right to serve a written reply to Mr. Li Bin and Mr. Li Changgui (the "**Written Reply**") and acquire the Remaining Interests on the same terms and conditions offered to the Transferees (unless any of such terms and conditions do not comply with all applicable laws and regulations (including but not limited to the Listing Rules) and in such event, the Purchaser, Mr. Li Bin and Mr. Li Changgui shall further negotiate) (the "**Acquisition of the Remaining Interests**"). Subject to all applicable laws and regulations (including but not limited to the Listing Rules) having been complied with, the share transfer agreement in relation to the Acquisition of the Remaining Interests shall be executed within 30 business days after the Written Reply has been served (or on such other date that the Purchaser, Mr. Li Bin and Mr. Changgui shall agree upon).

Conditions Precedent

Completion is subject to the following conditions precedent being fulfilled or waived (as the case may be):

(i) all information disclosed in the due diligence process to the Purchaser by the Vendors and the Target Companies remaining true and accurate in all material respects, and that there being no misleading statements nor material omission;

(ii) the registered capital of the Target Companies having been paid in full;

(iii) there being no change in the principal business of the Target Companies;

(iv) there being no material adverse change in the assets, business, operations, financial position and projections of the Target Companies; and there being no circumstances leading to the discontinuation of the business operations of the Target Companies; or there being no existence of mortgage, pledge, seizure, or freezing order or any other encumbrances or third party claims against the Sale Capitals;

(v) Ms. Liu Weiyue having resigned as supervisor of Shanghai Emphasis Investment and Shanghai Haole Industrial; Mr. Li Bin having resigned as supervisor of Shanghai Jianchu Medical and Shanghai Chaolian Trading; and Ms. Liu Hong having resigned as supervisor of Shanghai Dingpei Industrial;

(vi) the Target Companies and the Vendors having obtained all necessary approvals and consents from third parties regarding the Acquisition including but not limited to debt holders, borrowing banks and any relevant financial institutions and suppliers (including but not limited to Roche and Thermo Fisher);

(vii) all loans advanced by the Target Companies to the Vendors or other borrowers having been fully settled;

(viii) Yestar Medical, Mr. Li Bin and Mr. Li Changgui having executed all the new articles of association of the Target Companies as specified in the Share Transfer Agreement;

(ix) the parties to the Share Transfer Agreement having performed and complied with the representations and warranties as specified in the Share Transfer Agreement in all material respects;

(x) the Vendors not having materially breached any terms and conditions of the Share Transfer Agreement prior to the Completion Date;

(xi) the audit reports of the Target Companies having been approved unanimously by all parties to the Share Transfer Agreement;

(xii) the passing of necessary ordinary resolution(s) by the shareholders of the Target Companies to approve the share transfer and the transactions as contemplated under the Share Transfer Agreement;

(xiii) The associated companies of Mr. Li Bin, Mr. Li Changgui and their associates (including but not limited to Shanghai Hongjue, Shanghai Zhekai and Shanghai Emphasis Medical Device) having executed a written non-compete undertaking;

(xiv) if necessary, the written shareholders' approval having been obtained from the Shareholder (or a closely allied group of Shareholders) who holds more than 50% of all the issued Shares and being accepted in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules; and if not accepted, the passing of necessary resolutions(s) by the Shareholders, except for those who will be required to abstain from voting in accordance with the Listing Rules or other applicable laws and regulations, at a duly convened extraordinary general meeting of the Company to be convened and held to approve the Share Transfer Agreement and the transactions contemplated thereunder; and

(xv) all necessary approvals and consents required under applicable laws and regulations (including the Listing Rules) having been obtained by the Company in respect of the Share Transfer Agreement and the transactions contemplated thereunder.

None of the conditions precedent is capable of being waived, except for conditions (i), (vi) and (ix) which may be waived at any time before Completion by the Purchaser by notice in writing to the Vendors. As at the Latest Practicable Date, condition (vi) have been fulfilled.

Unless mutually agreed by the parties in writing to extend the long stop date for fulfilling the conditions precedent above, the above conditions precedent shall be fulfilled (or waived as the case may be) no later than 120 days after the execution of the Share Transfer Agreement.

If any of the conditions precedent are not fulfilled or otherwise waived on or before noon of the date after 120 days of the execution of the Share Transfer Agreement, or on such later date as mutually agreed by the parties in writing, the Purchaser shall be entitled to terminate the Share Transfer Agreement by notice in writing to the Vendors.

Fulfilment of each of the conditions precedent shall be subject to the Purchaser's review and approval or shall be waived (as the case may be) by the Purchaser by way of written confirmation. The CP Completion Date shall be the date on which a written confirmation has been issued by the Purchaser confirming that all conditions precedent have been fulfilled or otherwise waived.

Completion

The Vendors and the Purchaser shall jointly use their best endeavours to complete the relevant share transfer registration procedures within 30 days after the CP Completion Date. The Completion Date shall be the date on which the following have been duly completed: (i) the change in business registration of the Target Companies and the Purchaser being registered as the registered owner of the Sale Capitals; and (ii) the amendment of the register of shareholders of the Target Companies.

Completion of the acquisition of each of the Target Companies shall take place simultaneously.

Shareholding of the Target Companies before and immediately upon Completion

The shareholding structure of the Target Companies before and after the Completion is set out below:

	Shanghai Emphasis Investment		Shanghai Jianchu Medical		Shanghai Chaolian Trading		Shanghai Haole Industrial		Shanghai Dingpei Industrial	
	As at the Latest Practicable Date	Upon Completion	As at the Latest Practicable Date	Upon Completion	As at the Latest Practicable Date	Upon Completion	As at the Latest Practicable Date	Upon Completion	As at the Latest Practicable Date	Upon Completion
	%	%	%	%	%	%	%	%	%	%
Mr. Li Bin	28	28	99	30	99	30	99	30	99	30
Ms. Liu Weiyue	1	—	—	—	—	—	1	—	—	—
Mr. Jiang Chao	46*	—	—	—	—	—	—	—	—	—
Ms. Yu Liping	—	—	—	—	1	—	—	—	—	—
Ms. Liu Hong	—	—	—	—	—	—	—	—	1	—
Mr. Li Changgui	25*	2	—	—	—	—	—	—	—	—
Mr. Li Changkuan	—	—	1	—	—	—	—	—	—	—
Company	—	70	—	70	—	70	—	70	—	70
	100	100	100	100	100	100	100	100	100	100

* *Shares held by Mr. Jiang Chao and Mr. Li Changgui in Shanghai Emphasis Investment are held on behalf of Mr. Li Bin.*

BASIS OF CONSIDERATION

The maximum consideration of RMB910 million (equivalent to approximately HK$1,155.7 million) in respect of the Acquisition was determined following commercial negotiations between the parties on an arm's length basis with reference to various factors, including but not limited to the historical earnings of the Target Companies as well as the business development and future prospects of the Target Companies.

When determining the Consideration, the Directors took into account (i) the financial performance of the Target Companies for the year ended 31 December 2014 which recorded a profit and a positive operating cashflow, and the Directors expected that the Target Companies' result would not dilute the Group's current financial performance or liquidity; (ii) the profit guarantee pursuant to Share Transfer Agreement that the combined net profit after tax of the Target Companies for the year ended 31 December 2015 shall be no less than RMB156 million; and (iii) the prospect of the PRC's in vitro diagnostic industry which is expected to have positive impact towards the Target Companies' operation. The Consideration represents a price earnings ratio of approximately 13.5 times when taking into account the combined net profit of the Target Companies for the year ended 31 December 2014 and a price earnings ratio of approximately 8.3 times when taking into the Annual Guarantee Profit of 2015. When considering and determining the Consideration, the Directors had made reference to a transaction in relation to the acquisition of 80% interest in a private company, namely 北京巴瑞醫療器械有限公司 (Beijing Baron Medical Equipment Company Limited*, ("**Beijing Baron**")) by 武漢人福醫藥集團股份有限公司 (Humanwell Healthcare (Group) Co., Ltd (600079.CN), a company listed on the Shanghai Stock Exchange announced in June 2012. The total consideration of 80% interest was amounted to RMB776 million, representing a historical price earnings ratio of

10.6 times and a price earnings ratio of 8.3 times when taking into account the guarantee net profit of the upcoming financial year end immediately after acquisition. Beijing Baron was principally engaged in the distribution of Roche's Diagnostic Products in Beijing, the PRC.

The Directors considered that given (i) Beijing Baron was principally engaged in the distribution of Roche's Diagnostic Products in Beijing, which has the same product lines as distributed by the Target Companies; (ii) the distribution region of Beijing Baron is in Beijing and the Target Companies distribution region is in Shanghai; and both Beijing and Shanghai are considered to be top tier cities in the PRC, the acquisition price of Beijing Baron would be the most comparable transaction to be considered when determining the pricing of the Target Companies.

Nevertheless, the Directors have also made reference to two other acquisitions of companies which are principally engaged in the sales of in vitro diagnostic products with brands different from the Target Companies. Set out below is the brief information on the two other acquisitions of companies which are principally engaged in the sales of in vitro diagnostic products:

Name of buyer	Name of the target	Transaction date	Principal business activities of the target	Consideration	Historical price earnings ratio *(Note 1)*	Details of guarantee net profit	Price earnings ratio taking into account guarantee net profit/ estimated net profit
山東新華醫療器械股份有限公司 (Shandong Xinhua Medical Instrument Co., Ltd*) (Stock Code: 600587) (a company listed on the Shanghai Stock Exchange)	威士達醫療有限公司 (Vastec Medical Ltd) ("**Vastec**")	Dec 2013	Sales of clinical medical devices and diagnostics, aftersales services, technical support, maintenance, training and software development	RMB640 million	9.7 times	No guarantee profit	8.5 times *(Note 2)*
山東新華醫療器械股份有限公司 (Shandong Xinhua Medical Instrument Co., Ltd*) (Stock Code: 600587) (a company listed on the Shanghai Stock Exchange)	長春博迅生物技術有限責任公司 (Bioxun Biotech Co., Ltd) ("**Bioxun**")	Aug 2012	Sales of in vitro diagnostic reagents, production and development of medical equipment, biological technology development and transfer	RMB418 million	11.6 times	Net profit for the three years ended 31 December 2014, shall not be less than RMB45 million, RMB50 million and RMB55 million respectively	9.3 times *(Note 3)*
				Average	10.7 times		8.9 times

Note 1: The historical price earnings ratio was calculated based on the consideration of the acquisition divided by the historical net profit.

Note 2: The price earnings ratio was calculated based on the consideration of the acquisition divided by the estimated profit for the upcoming financial year end.

Note 3: The price earnings ratio was calculated based on the consideration of the acquisition divided by the guarantee net profit for the upcoming financial year end.

Note 4: Information about the acquisitions above were obtained of from the relevant announcement and annual report of the buyers.

According to the information obtained from the announcements publicly available, the products provided by Vastec and Bioxun are distinctive from those provided by the Target Companies. In respect of Vastec, Vastec mainly distributes in vitro diagnostic products under, including but not limited to, TECAN and TREK, of which all brands distributed by Vastec differ from the Target Companies. While Bioxun mainly distributes products applied in testing blood type, the Target Companies do not distribute in vitro diagnostic products for such purpose.

The average price earnings ratio taking into account the guarantee net profit of the two acquisitions above was approximately 8.9 times which is higher than the price earnings ratio of 8.3 times for the acquisition of Beijing Baron. However, considering that the acquisition of Beijing Baron is more comparable to the Target Companies in terms of product line, the Directors considered that it would be more relevant by making reference to the acquisition of Beijing Baron when considering the pricing of the Target Companies.

When considering the pricing of the Target Companies, the Directors have also considered the historical earnings of the Target Companies, which reflect that the Target Companies have been generating profit and a positive operating cashflow in the recent years. However, after mutual discussion between the Directors and the Vendors, it was considered that given (i) the Target Companies have been installing medical equipment in hospitals and clinics in the Shanghai region and have planned to continue doing so in the coming years; (ii) the number of medical equipment installed in 2015 prior to the entering into the Share Transfer Agreement and the upcoming installation plan for the remaining 2015; (iii) the likelihood that the Target Companies will continue to optimize the customer base for medical equipment leasing and the distribution of medication consumables; and (iv) that the Vendors have agreed to provide a profit guarantee on the combined profit of the Target Companies for the coming three years, the Directors considered that it would be more relevant to make reference to the price earnings ratio taking into account the guarantee net profit when determining the Consideration.

The Directors consider that the Consideration payable to the Vendor is fair and reasonable.

The Group will finance the Acquisition by the Group's internal cash resources and available banking facilities and/or proceeds from equity fund raising. The Company has raised approximately HK$130 million from its global offering in 2013. None of the proceeds has been applied or utilized as at the Latest Practicable Date and the proceeds were deposited in the saving accounts of the Group. The Directors have been actively seeking opportunities to utilize the fund raised from its global offering in 2013 and the Board will not apply the funds raised from its global offering in 2013 to the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading providers of colour photographic paper in the PRC and a provider of a broad range of imaging products in the PRC. The Group processes colour photographic paper, various image printing films and medical imaging films into ready-to-use form by cutting and slitting master rolls into customized sizes and packaging the products under precisely controlled processing conditions.

It has been the Group's strategy to further develop the medical consumable business, so as to diversify the Group's product range. The Group is optimistic about the development of the medical industry in the PRC and considers the medical consumable business to be a core element of the medical industry chain. The Directors consider that with its well-established extensive sales network in the PRC, the Group would be able to leverage the sales network to further enhance the Group's profitability by introducing a wider range of consumable products to the hospitals.

On the other hand, the Target Companies also had a well-established distribution hospital network in which the Group could also leverage to enhance direct sales to hospital for its medical film products.

To diversify the Group's product range, on 10 November 2014, the Group had completed the acquisition of Jiangsu Uno Technology Development Company Limited which is principally engaged in the distribution of medical equipment and consumables in the PRC.

The Company's focus is not only on the current profit level of the Target Companies but also their growth prospect. The Board is of the view that the Acquisition represents a valuable business opportunity for the Group to further develop in the health industry in the PRC and will, in the long run, broaden the Group's revenue base by further expanding and diversifying the product base of the Group. The Board considers that the acquisition of the Target Companies which hold the distribution rights of both Roche Products and Thermo Fisher Products in Shanghai and will enable the Group to broaden its market share in the PRC medical equipment and consumable product market as well as the Group's product portfolio.

In light of the above, the Directors consider that the terms of the Share Transfer Agreement are fair and reasonable and the Acquisition is in the interest of the Company and Shareholders as a whole.

RISK FACTORS

The Company has identified risk factors in respect of the Acquisition as follows:

(i) The profitability of the Target Companies' business may be materially reduced if the distribution agreements entered between Shanghai Emphasis Investment and Thermo Fisher or Roche are terminated. If the distribution agreements with Thermo Fisher or Roche are terminated, no product will be available to supply the Target Companies' customer which uses Roche or Thermo Fisher's medical equipment, which may result in materially reduced profitability of the Target Companies' business.

(ii) The distribution rights of Roche Products and Thermo Fisher Products held by Shanghai Emphasis Investment were not exclusive as at the Latest Practicable Date. At any point of time, Roche and Thermo Fisher may at their discretion, grant primary distribution right to other parties. If Roche and Thermo Fisher grant primary distribution right to other parties, the Target Companies' business and financial result may be adversely affected.

(iii) Since the Group is a new player to the medical consumable business since its completion of the acquisition of Jiangso Uno Technology Development Company Limited in 2014, the recruitment, training and managing of medical professionals and personnel with the requisite expertise may be increasingly costly. In the event that the Target Companies fails to attract or retain a sufficient number of experienced personnel as required, the Target Companies may not be able to maintain the quality of their services and the number of customers may decrease significantly, which may materially and adversely affect the Target Companies' business, financial condition and results of operations.

(iv) The hospital and healthcare service industry is competitive. Generally, the Target Companies faces competition with other distributors of medical devices to public and private hospitals, community health clinics in the same geographic area. When the non-competing undertaking ends, the Vendors may engage in any business in competition with the Target Companies and may offer greater convenience, broader services, newer or better facilities, more specialized medical staff, stronger reputation in the community or cheaper pricing. If the Target Companies are unable to attract customers, the business, financial condition and results of operations may be materially and adversely affected.

(v) The PRC government issues policies on pricing of pharmaceuticals, medical devices and medical consumables. Most pharmaceuticals, medical devices and medical consumables sold in China, primarily those included in the national Reimbursed Drug List and other catalogs promulgated by the government authorities, are subject to price controls mainly in the form of "retail price ceiling", being price ceilings on pharmaceuticals or medical devices and medical consumables sold to the patients, and in the form of "bidding price", being price ceilings on pharmaceuticals or medical devices and medical consumables sold to the hospitals. All the medical devices and medical consumables leased out/sold by the Target Companies to its customers currently are not subject to price controls. The Target Companies cannot predict if future pharmaceuticals and medical devices and medical consumables would be subject to price controls. If the medical devices and medical consumables leased out/sold by the Target Companies will be subject to price control, the Target Companies may have less room to negotiate with their suppliers for better gross margins, and may generate less revenue due to the reduced sale prices.

(vi) Since the Target Companies' assets are generally located in, and its revenue is predominately derived from operations in China, the business, financial condition, results of operations and prospects are subject to the risks of future economic, political and legal developments in China. The PRC economy differs from the economies of other developed countries in terms of structure, government intervention, development, growth rate, control of foreign exchange and resource allocation. Since the late 1970s, the PRC government has been implementing economic reform measures and using market forces to develop the PRC economy and has transitioned from a planned economy to a more market-oriented economy. However, the PRC government continues to play a significant role in regulating industries by promulgating economic policies, and a significant portion of productive assets in China is still government-owned. The PRC government also exercises significant control over the economy through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

(vii) Medical devices may be subject to price declines over time due to competitive forces, while manufacturing and material costs may remain constant or increase. Growing pricing pressure may arise in the future due to competition. As medical equipment enters into a later stage in their lifecycles, the gross margins of those products may decrease, which will affect the Target Companies onward sales to its customers.

(viii) The medical device industry is rapidly evolving, which is significantly affected by the introduction of new products and price reductions by industry participants. Many international companies have already been selling products in China, and those that have not done so, may begin selling in China in the near future. These companies may have substantially greater capital resources, broader product lines, greater sales, marketing and management resources, larger research and development teams than the Target Companies. Moreover, the entry of additional domestic manufacturers, which usually have a lower cost structure than international manufacturers, into the China market could drive down the retail prices of medical devices which will in turn have an impact on the profit margin of the Target Companies.

(ix) The Target Companies grants certain credit period to their customer. There is no assurance that the Target Companies' customers will pay their outstanding amount on a timely basis and the Target Companies' cash flow and financial performance may be adversely affected.

OVERVIEW OF THE PRC HEALTHCARE INDUSTRY

According to an article issued by Forbes Asia in December 2014, Mckinsey & Company predicts that health care spending in China will reach $1 trillion by 2020, up from $350 billion in 2014. The Chinese government is even more aggressive, predicting that spending in the country's health care sector will top $1.3 trillion by the end of this decade.

Such growth is expected to be contributed by two factors which is driving health care spending in China. With rising per capita incomes, China's increasingly affluent consumers are demanding the latest medical treatment and services. At the same time, changing diets and air and water pollution are causing a rise in the incidence of cancer, heart, diabetes and other chronic diseases among China's population. Both factors create new opportunities for pharmaceutical, medical device, hospital management and companies that provide a wide range of health-care products and services.

In respect of the PRC's in vitro diagnostic industry, according to the China In Vitro Diagnostic Market Forecast & Companies Analysis issued by Renub Research in December 2014, the PRC's in vitro diagnostic industry is expected to record a rapid growth in the coming years of a compound annual growth rate of approximately 19.2%, from US$2,641.8 million in 2013 to US$6,335.5 million in 2018.

The Directors considered that given the PRC healthcare industry including the medical device company will continue to expand in the coming years, the Acquisition will be able to contribute to the future growth of the Group.

Material rules and regulations applicable to the Target Companies

Permission and registration

Pursuant to the Regulations on the Supervision and Administration over Medical Devices (《醫療器械監督管理條例》) and the Supervision and Regulation of the Medical Devices (《醫療器械經營監督管理辦法》), Enterprises that operate Class II medical devices are required to register. Enterprises that operate Class III devices are required to obtain permission. Where engaging in operation of Class III medical devices, an operating enterprise shall apply to the food and drug supervision and administration department of the people's government of the city divided into districts where the operating enterprise is located for a permit and submit the supporting materials. For the medical devices that meet the conditions stipulated, the permission shall be approved and a Permit for Medical Device Operating Enterprises shall be granted. The Permit for Medical Device Operating Enterprises is valid for five years. Where the period of validity for such permit needs to be extended upon the expiration, the procedures for such extension shall be handled in accordance with the provisions of laws related to administrative licensing.

Under the circumstance where the enterprise engages in the operation of Class III medical devices without permission, the food and drug supervision and administration department will confiscate illegal gains, the illegally produced and operated medical devices and tools, equipment, raw materials and other articles used for illegal production and operation and impose a fine, where the circumstances are serious, the application for permit for medical devices proposed by the relevant persons responsible and enterprises shall not be accepted within five years.

Product liability

Pursuant to The Product Quality Law of the PRC (《中華人民共和國產品質量法》), manufacturers and operators who produce and sell defective products may be subject to confiscation of earnings from such sales, the revocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liability.

The PRC Law on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993, effective from 1 January 1994, amended for the first time on 27 August 2009 and amended for the second time on 25 October 2013 to protect consumers' rights when they purchase goods or services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. In some cases, medical device manufacturers and distributors may be subject to criminal liability if they provide commodities or services in violation of the provisions of this Law, infringe the legitimate rights and interests of consumers and constitute crimes.

INFORMATION OF THE PURCHASER

The Purchaser is a wholly-owned subsidiary of the Company, established in the PRC with limited liability on 24 December 2009. The Purchaser is principally engaged in the manufacturing and sales of medical X-ray films (including medical dry films, dental films, mammary gland films, medical thermal imaging film, etc.), X-ray film's developer and fixer and medical imaging printers.

INFORMATION OF THE VENDORS

The Vendors, namely Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, are private investors in the medical equipment industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are third parties independent of (i) the Company and connected persons of the Company; and (ii) each of the vendors of the acquisition of the 70% interest of Jiangsu Uno Technology Development Company Limited in November 2014.

As at the Latest Practicable Date, Ms. Liu Weiyue is the supervisor of Shanghai Emphasis Investment and Shanghai Haole Industrial; Mr. Li Bin is the supervisor of Shanghai Jianchu Medical and Shanghai Chaolian Trading; and Ms. Liu Hong is the supervisor of Shanghai Dingpei Industrial. It is one of the conditions precedent of the Share Transfer Agreement that the above-named Vendors shall resign from their respective positions in the Target Companies.

INFORMATION OF THE TARGET COMPANIES

The Target Companies are companies established in the PRC with limited liability, which are principally engaged in the sales and distribution of medical in vitro diagnostic industry in the PRC. The scope of business of the Target Companies includes the following:

(i) Shanghai Emphasis Investment: provision of investment management advisory services, business management consulting (except brokers), marketing planning, market information consultation and investigation (not including conducting social surveys and research, public surveys and polls); sales of: instruments, computers, software and auxiliary equipment (except specific safety products for computer information systems), office supplies, communication devices, hardware and electronic parts, building and decoration materials, medical devices; and leasing of medical devices, machinery and equipment.

(ii) Shanghai Jianchu Medical: sales of Class 3 and Class 2 injection and puncture devices, clinical laboratory analytical instruments (including in vitro diagnostic medical reagents), medical polymer materials and products, Class 2 medical laboratory and infrastructure equipment and appliance, Class 1 medical devices, instruments, computers, software and auxiliary equipment (except specific safety products for computer information systems), office supplies, communication devices, auto parts, hardware and electronic parts, labour protection supplies, building and decoration materials; provision of consulting services for technology development in the field of medical devices and technology; medical device maintenance; and investment consulting (except brokers).

(iii) Shanghai Chaolian Trading: sales of hardware and electronic parts, paper, cardboard cartons products, handicrafts (except gold jewelry), mechanical and electrical products, glass products, office supplies, packaging materials, printing equipment, hotel supplies, electronic equipment, electronic control panel, mechanical equipment, refrigeration equipment; installation and maintenance of home appliances; sales of medical devices; and leasing of self-owned medical devices.

(iv) Shanghai Haole Industrial: real estate development; municipal engineering; architectural engineering; investment management; design, production and agent for various types of advertisements; property management; provision of technology development, technology consulting, technology transfer and technology services in the field of Class 1 medical devices; exhibition services; conferencing services; business consulting; sales of Class 3 clinical laboratory analytical instruments (including in vitro diagnostic medical reagents), mechanical and electrical equipment, electronic products, handicrafts, instruments, hardware and electronic parts, building and decoration materials; and leasing of medical devices.

(v) Shanghai Dingpei Industrial: wholesale and retail of Class 1 medical devices, instrument, computer hardware and software and auxiliary equipment (except specific safety products for computer information systems), office supplies, communication devices, auto parts, hardware and electronic parts, labour protection supplies, building and decoration materials (except dangerous goods); provision of consulting services for technology development in the field of medical devices and technology; investment consulting; leasing of self-owned equipment (not including finance leasing); Class 2 medical devices (including diagnostic reagents), Class 3 clinical laboratory analytical instruments (including in vitro diagnostic medical reagents).

Shanghai Emphasis Investment currently holds the non-exclusive distribution right of Roche Products in Shanghai and Thermo Fisher Products in Shanghai. Products distributed by Shanghai Emphasis Investment are mainly equipment and consumables used for medical and/or biological testing. Shanghai Emphasis Investment is a non-exclusive distributor for Roche Products in the designated market segment of the territory set forth in the distribution agreements between Shanghai Emphasis Investment and Roche till 31 March 2015 and if no notice of termination was served, the distribution agreement will be automatically extended by one year (i.e. up to 31 March 2016). Shanghai Emphasis Investment also holds a non-exclusive distributorship for Thermo Fisher Products in the designated territory set forth in the distribution agreements between Shanghai Emphasis Investment and Thermo Fisher till 31 December 2015.

(i) Business operation of the Target Companies

As at the Latest Practicable Date, since the commencement of operations of the Target Companies, Shanghai Emphasis Investment has entered into distribution arrangement with Roche for over 10 years.

Shanghai Emphasis Investment is a first-tier distributor for Roche Products and Thermo Fisher Products. Shanghai Emphasis Investment has entered into a number of supplier agreements in relation to the sales and distribution of Roche Products and Thermo Fisher Products between Shanghai Emphasis Investment and its customers, including local distributors and ultimate customers such as hospitals and clinics. The other four Target Companies are authorized dealers of Shanghai Emphasis Investment and are deemed to be the local distributors of Shanghai Emphasis Investment. Customers place orders with Shanghai Emphasis Investment according to the actual demand. Shanghai Emphasis Investment will then according to the aggregate demand of its customers and place aggregate orders to Roche and Thermo Fisher. Shanghai Emphasis Investment and the other four Target Companies will carry out sales separately with different customers.

Shanghai Emphasis Investment issues certificates of authorization to both the local distributors and the other four Target Companies (the "**Dealer Companies**"). Therefore, the Dealer Companies are deemed as local distributors. The certificates of authorization of the Dealer Companies are valid from the beginning of the year to the end of the year and will be reissued after the expiry date. The certificates of authorization of the local distributors (except for tender use) are valid from the date of issuance to the end of the year and will be reissued after the local distributors' applications for certificates of authorization have been approved by Shanghai Emphasis Investment.

During the validity period of the certificates of authorization, the Dealer Companies provide services to different customers. The sales teams of Shanghai Emphasis Investment and the Dealer Companies will handle business negotiations with their respective ultimate customers. The Dealer Companies will inform the sales team of Shanghai Emphasis Investment when they approach a customer in order to ensure that there is no overlapping in target customers.

Pricing on sales of products to Dealer Companies may differ from other local distributors. Selling price to Dealer Companies would be based on cost plus a handling margin, while pricing on sales to other local distributors will be based on mutual negotiation between the Target Companies and the local distributors.

Pursuant to supplier agreements entered into between Shanghai Emphasis Investment and its customers including local distributors and ultimate customers such as hospitals and clinics, certain medical equipment of Roche will be leased to its customers. The medical equipment leased out to customers of Shanghai Emphasis Investment were supplied by Roche and Shanghai Emphasis Investment charged rental cost, maintenance and repair fee to its' customers.

Furthermore, revenue derived from leasing medical equipment by Target Companies will not be subject to any revenue sharing arrangement with Roche.

The title of medical equipment leased to customers shall be retained by Roche and Roche will charge certain fee for maintenance and repair of its medical equipment. Therefore, the maintenance and repair fee charged by the Target Companies to its customers on Roche's medical equipment will be based on the maintenance and repair fee charged by Roche plus a reasonable premium.

For Thermo Fisher Products, under most circumstances, customers of Thermo Fisher Products will have to purchase the medical equipment from the Target Companies. However, after meeting certain purchase targets, a privilege purchase reward will be granted to the customers.

For the three years ended 31 December 2014, a substantial portion of revenue of Target Companies was derived from the sales of medical equipment consumables. Revenue from leasing medical equipment only accounted for less than 3% of the total revenue of the Target Companies.

Other than selling Roche Products and Thermo Fisher Products directly to the ultimate customers like hospitals and clinics, Shanghai Emphasis Investment also entered into a distribution agreement with other local distributors with qualification of distributing related medical products on selling Roche Products and Thermo Fisher Products. The sales of the Target Companies to ultimate customers (including hospital and clinics) and local distributors accounted for 49% and 51% of the total revenue of the Target Companies respectively for the year ended 31 December 2014.

According to the directors, the sales channels of the Target Companies will continue to include the direct sales to the ultimate customers and the sales to local distributors. Target Companies will make the purchase decision based on (i) monthly continuous rolling consumption of inventories; (ii) current inventory; and (iii) purchasing volume in terms of valid period. For products of Roche, Shanghai Emphasis Investment will place purchase orders through the purchase system of Roche, and Roche will generally deliver products through its own logistics system in three days. Roche grants a credit terms of 60 days and up to RMB150 million to Shanghai Emphasis Investment.

For products of Thermo Fisher, Shanghai Emphasis Investment will place purchase orders through the purchasing system of Thermo Fisher. Thermo Fisher grants a credit terms of 30 days (payment in 30 days against the receipt of goods) and Thermo Fisher will generally deliver products through qualified third party logistics firms in three to five days after receipt of the purchase order. Customers of the Target Companies will place purchase orders to the Target Companies through email or telephone, and the Target Companies will deliver products to customers by their internal logistics personnel.

Most of the customers of the Target Companies will not be granted any credit terms, and the Target Companies will deliver products only when the full payment for goods has been received.

Credit periods for ultimate customers range from cash on delivery to 240 days. The granting of credit period is subject to the financial status, period of co-operation and purchase volume of the customers and final approval from the chief executive officer of the Target Companies will have to be obtained.

Roche Products accounted for approximately 90% of the total purchase of Target Companies for the year ended 31 December 2014 and the revenue generated from the sales of Roche Products is not subject to the revenue sharing arrangement with Roche.

For the year ended 31 December 2014, the sales from Target Companies to the top ten customers amounted to approximately 63.8% of their total sales for the year ended 31 December 2014.

The distribution rights of Roche and Thermo Fisher are not nationwide, and Shanghai Emphasis Investment is not the exclusive distributor in Shanghai area.

Shanghai Emphasis Investment is the only distributor of Roche Products and Thermo Fisher Products in the related designated distribution area. Therefore, the Directors consider that the customers of Target Companies are less likely to purchase Roche Products and Thermo Fisher Products from the distributors in other regions other than Target Companies. For details of distribution rights of Roche and Thermo Fishers, please refer to "Appendix VIII — Additional Information of the Target Companies".

As the local distributors have established a sales network with the ultimate customers, which use the medical equipment of Roche and Thermo Fisher, and certain hospitals, which have been using the medical equipment of Roche and Thermo Fisher and provided with medical equipment and consumables by Target Companies, these customers and hospitals must purchase the related reagents and consumable products from Target Companies, unless the customers cease to use the medical equipment of Roche and Thermo Fisher.

Local distributors

The number of the local distributors during the three years ended 31 December 2012, 2013 and 2014 was 78, 92 and 119 respectively. As at the Latest Practicable Date, the local distributors of the Target Companies have almost established four years of business relationship with the Target Companies. For local distributors of Roche Products, local distributors are required to attend local distributors examination held by Shanghai Emphasis Investment annually. Certificates of authorization of the local distributors will not be granted upon expiry if the local distributors fail such examination. The main ultimate customers of the local distributors include the hospitals and clinics of Shanghai area, whose ratings ranged from 1A to 3A. During the three years ended 31 Decembers 2012, 2013 and 2014, the Target Companies have terminated nil, 1 and 4 local distributors respectively. Reasons for termination included (i) the expiry of local distribution contract and the local distributor did not opt for renewal; (ii) an ultimate customer chose another local distributor instead of the original local distubutor which had distributship with the Target Companies, thus the Target Companies terminated the local distributors agreement with the original local distributors; (iii) an ultimate customer of the local distributor prefers to direct purchase products from the Target Companies instead of the local distributors, thus the Target Companies terminated the local distribution agreement with the local distributor; (iv) the ultimate customer of a local distributor requested the Target Companies to supply products to a designated local distributor and such designated local distributor will supply products to ultimate customer, in view of such the Target Companies terminated the local distributorship with the original local distributor; and (v) due to disputes over the ownership of certain stocks, the Target Companies had to settle with the local distributor at court in 2013 and after settlement, the Target Companies and such local distributor discontinued their distribution relationship.

The local distributors have been supplied with three series of Roche's diagnostic products and three series of Thermo Fisher's products, as well as the medical equipment for sales or leasing to their ultimate customers.

For details regarding the revenue contributed by the second-tier distributors to Target Companies for the three years ended 31 December 2014, please refer to "Appendix VIII — Additional Information of the Target Companies".

(a) The qualification requirement to be qualified as a local distributor

i. basic licenses and qualification permits, e.g. Medical Device Operation Permit;

ii. quality standard;

iii. logistic quality management, storage and transportation capacity; and

iv. legality and compliance, commercial integrity.

(b) The approval process for local distributor appointment

The approval process in respect of the appointment of local distributors mainly includes:

i. estimating the above qualification requirements;

ii. considering whether the appointment of the local distributor will meet the market business demands and long-term strategic considerations; and

iii. executing the local distribution agreements if the Target Companies are satisfied with the above.

In additional to the above points, all local distributors are required to confirm they are independent from the Target Companies. Enquires will be made by the commerce department of the Target Companies to confirm if the directors and shareholders of the potential local distributors are related to the directors, shareholders and/or senior management of the Target Companies. After Completion, such enquiries will also be extended to the connected persons of the Company.

Roche has a distributor management team which may assist the distributors to manage and supervise their local distributors.

Thermo Fisher does not participate in the approval process in respect of the appointment of the local distributors.

(c) Sales arrangement

The sales arrangement entered into between Shanghai Emphasis Investment and local distributors is basically the same as the sales arrangement entered into between Shanghai Emphasis Investment and the ultimate customers. The local distributors will place the purchase orders with Shanghai Emphasis Investment by e-mail or telephone. The internal approval will be completed within one to two days by the Target Companies, and the local distributors should visit Target Companies themselves to collect the goods.

The credit terms of local distributors ranged from no credit period to 60 days. The granting of credit period is subject to the financial status, period of co-operation and purchase volume of the customer and final approval from the chief executive officer of the Target Companies will have to be obtained. Most of the local distributors are not granted with any credit period and the Target Companies will only deliver the products upon the receipt of full payment for the products.

The sales of products and the transfer of legal ownership will be recognized upon the successful delivery of products by the Target Companies to local distributors, so the risks and rewards of the product ownership will then be transferred to the local distributors according to the terms of the contract. In all distribution agreements entered into between the Target Companies and the local distributors, no terms regarding sales return have been expressly stipulated in the distribution agreements Terms regarding the return of goods only applied to sales contract entered into with end-customers of the Target Companies (i.e. hospitals and clinics).

For local distributors, returning of goods will only be considered when there exist defects in products and the return arrangement shall be mutually agreed between the Target Companies and the local distributors on a case by case basis.

For the three years ended 31 December 2014, Target Companies did not receive any material sales return from local distributors. The auditors of the Company consider that the revenue recognition policy and the sales return policy of Target Companies are in line with the accounting policy of the Group.

As the sales network and services support of Target Companies cannot cover all the ultimate customers such as hospitals and clinics in Shanghai area, in order to expand the sales scope of Target Companies' products, Shanghai Emphasis Investment will appoint other local distributors to serve the medical institutions such as hospitals and clinics in the remote parts of Shanghai areas. In addition, most of the sales to local distributors consist of terms of payment before or upon the delivery. Therefore, the appointment of local distributors will lower the credit risks of Target Companies, and reduce the operational costs of the inventory and delivery.

The pricing of the supplier contract entered into between the local distributors and their ultimate customers are determined according to commercial negotiations. To manage the ongoing supplier relationship between the local distributors and their ultimate customers, the supplier contract entered into between Target Companies and the local distributors specified the provision of products to designated hospitals. These designated hospitals were not included in the direct sales network of the Target Companies.

In addition, the Target Companies should be informed on every new ultimate customer of the local distributors, and the business negotiations shall be conducted upon the issuance of business sales authorization by the Target Companies.

The Target Companies have developed their own dedicated two-dimensional code and placed them on the packaging of Roche Products and Thermo Fisher Products, in order to trace the product flow and prevent the local distributors from channel conflict (i.e. the products purchased from companies other than Shanghai Emphasis Investment, or products sold to non-contracting hospitals or other companies). If channel conflict occurs, the local distributors would have to indemnify the liquidated damages caused and their local distribution right will be revoked.

Therefore, the Target Companies can ensure the strict management of the local distributors, which will not sell the products to any of the ultimate customers of the Target Companies.

In addition, in order to monitor the potential conflict between the sales representatives of the Target Companies and the local distributors and to minimize competition among the selling channels, prior to approaching any hospital or clinic, the local distributors would have to seek consent from the management of the Target Companies to check if the hospitals or clinics to be approached by the local distributors are not direct customers of the Target Companies or customers of other local distributors. Approval also has to be obtained by the local distributors from the senior management of the Target Companies prior to the commencement of business between the local distributors and their ultimate customers.

According the management of Target Companies, the Target Companies will conduct periodic inspections to ensure that the medical consumable products used by the customers are the products directly or indirectly distributed by the Target Companies. The Target Companies will also cross check the sales data with the usage data of the medical equipment provided in the record, as well as the inventory level of each ultimate customer and the local distributors of the Target Companies. Regular visit to hospitals and clinics which are customers of the Target Companies will also be conducted in ensuring that the consumable used by such hospitals and clinics are products distributed by the Group.

As at the Latest Practicable Date, save as disclosed in the section headed "Local distributors" above, the Target Companies did not encounter any breach of distribution contracts and did not identify any sales of products outside the authorized areas without authorization by the local distributors.

(d) Revenue recognition of sales to local distributors

Pursuant to the local distribution agreements, names of customers (hospitals and clinics) of the local distributors will be specified in the local distribution agreements, yet the Target Companies will not be involved in the daily business operation between the local distributors and their customers. Sales between the Target Companies and the local distributors are not based on the actual order of the the local distributors' customers. Local distributors will, based on their estimations on the demand of all of their customers, place orders to the Target Companies, and no return of products will be allowed regarding any unsold products of the local distributors. Products of the Target Companies are delivered to the local distributors and delivery of products to customers of the local distributors will be handled by the local distributors themselves.

In view of the above arrangement revenue and the transfer of legal ownership will be recognized upon the successful delivery of products by the Target Companies to the local distributors, as the risks and rewards of the product ownership will then be transferred to the local distributors according to the terms of the agreements.

(ii) Products of the Target Companies

As at the Latest Practicable Date, the products distributed by the Target Companies include Roche Products and Thermo Fisher Products.

Roche Products

Roche has been the biggest supplier of the in vitro diagnostic products market in the PRC attributable to its excellent quality and wide products range. Roche Products distributed by Target Companies are used to diagnose various kinds of illness, and with the characteristics of high sensitivity, high specificity and reproducibility, they are the high-end diagnostic products widely used by major general hospital in the PRC.

Roche Products distributed by Target Companies includes the following:

Product	Application
1) Central diagnostic products	• Infectious disease testing based on the measurement of the antigen-antibody content in the immune response; • Testing based on human biochemistry and metabolism; • Diagnostics based on urine ingredients and biochemical endocrinology/metabolic diseases; and • Transplant drug testing based on the concentration of drug in the blood to evaluate the efficacy and identify the prescription.
2) Molecular diagnostic products	• HPV testing is used in the cervical cancer screening; • Chlamydia trachomatis/Neisseria gonorrhoeae(CT/NG) testing helps prevent and control sexually transmitted diseases; • Tumor mutation testing, offers personalized treatments for tumor patients; and • Nucleic acid testing is used to screens out virus in the blood, to ensure safe use of blood in clinical trials.

3) Bedside diagnostic products	Bedside diagnostic products are mainly used in: ● testing of blood gas electrolytes and evaluating the acid-base balance; ● rapid biochemical testing in clinical trials for preliminary screening of blood; ● carrying out preliminary screening assessment of myocardial infarction and heart failure; and ● testing for deep vein thrombosis and pulmonary embolism.

Thermo Fisher Products

The main types of Thermo Fisher Products distributed by the Target Companies are (i) pathological diagnostic products; (ii) laboratory diagnostic products; and (iii) microbiological diagnostic products. Application of each type of Thermo Fisher Products are set out as follows:

Product	**Application**
1) Pathological diagnostic products	● Tumor screening based on cells/histomorphology and molecular markers. The products cover the full series of equipment and reagents of sub-disciplines such as Histology, Cytology, MAG&Gross and IHC, providing customers with any products needed in the pathology industry.
2) Laboratory diagnostic products	● The products help customers build a complete and reliable laboratory, which provides scientific researches and related clinical laboratory equipment, as well as world-class laboratory consumables.
3) Microbiological diagnostic products	● Clinical microbiological testing is used to prove the diagnostics of infected pathogens and give guidance on reasonable application of antimicrobial drugs. The products cover the whole field of microbiological sciences, and are the leading microbiological cultivation and diagnostic products in the world.

Generally speaking, the Roche Products and the Thermo Fisher Products are mostly used in performing medical and laboratory examination including but not limited to blood test, tissues test, urine test in order for medical experts to make correct diagnosis for proper treatment. During medical examination, samples extracted from human body (including but not limited to blood, tissues and urine samples) are stored in special test tube or examination paper (being a type of Roche Products or Thermo Fisher Products) and will then be added with respective types chemicals for each medical examination performed in laboratory (of which the chemicals added to the samples are also types of Roche Products or the Thermo Fisher Products). The mixture of body samples and chemical will then be placed in the medical equipment for examination. Those equipment are specifically designed to work together with the chemicals from the same manufacturer of these equipment.

(iii) Suppliers of the Target Companies

Roche is a subsidiary of Roche Holding AG. According to the publicly available information, Roche Holding AG was founded in 1896, headquartered in Basel, Switzerland. Roche Holding AG is a leader in research-focused healthcare with combined strengths in pharmaceuticals and diagnostics. Roche Holding AG is also the world leader in in-vitro diagnostics, tissue-based cancer diagnostics and a pioneer in diabetes management.

Thermo Fisher is a subsidiary of Thermo Fisher Scientific Inc. According to the publicly available information, Thermo Fisher Scientific Inc. is a company listed on the New York Stock Exchange (NYSE: TMO) and has approximately 50,000 employees in 50 countries. The principal business of Thermo Fisher Scientific Inc. include among other things: (i) provision of laboratory products and services; (ii) provision of analytical instruments; and (iii) provision of science solutions.

(iv) Development strategies of the Target Companies

In addition to operation under the current operational scale through the existing team of senior management led by Mr. Li Bin, the Target Companies will also adopt the following development strategies to enhance and expand its business operation.

1) Expanding into the medical testing industry in order to expand their sales network channel. The management of the Target Companies, jointly with key hospital, intended to establish and manage a medical testing center, to provide the hospitals with the procurement, outsourcing and technical services of the whole set of medical testing equipment, reagents and consumables, which will in turn increase the market share of the Target Companies's product in the Shanghai Region;

2) Following the development trend of clinical diagnostic techniques, the companies plan to further expand its product lines to increase its sales in pathological, microbiological, laboratory product series and to improve the product variety. Meanwhile, the management of Target Companies will discuss the possibility of the distribution of other brand products other than Roche and Thermo Fisher upon the completion;

3) The increase in product lines and expansion in distribution areas in order to further increase the Target Companies' market share and profitability. While the Target Companies plan to expand their sales team, maintain and strengthen the relationship with the existing ultimate customers and distributors, the management of the Target Companies are also planning to develop new

markets by penetrating into medical institutions of all levels including (i) health foundations; (ii) community health service centers; and (iii) pension agencies in Shanghai area. The Target Companies will also attempt to establish long-term strategic cooperation relationship with the ultimate customers and distributors in other areas;

4) Upgrading of the information technology system and establishing a logistic system platform, in order to enhance the inventory and sales management. The establishment of the logistic system platform will involve the setting up of warehouses and distribution centers in various locations in Shanghai.

The Directors estimated that it is still in a very early stage of planning and the abovementioned investment is expected to be funded by internal financial resources of the Target Companies.

(v) Related parties transactions of the Target Companies

According to the Accountants' Report of the Target Companies, the Target Companies has entered into certain current account transactions with related companies of the Vendors, including:

— Shanghai Zhekai, a company established in the PRC with limited liability, whose registered capital is owned as to 88% by Mr. Li Bin and 1% by Ms. Liu Weiyue; and

— Shanghai Hongjue, a company established in the PRC with limited liability, whose registered capital is owned as to 61% by Mr. Li Bin.

Pursuant to the accountant's report of the respective Target Companies, the current account transactions were non-trading in nature, unsecured, interest-free and repayable on demand.

According to the relevant rules and regulations of the PRC government, no lending or financing operation shall be entered in between non-financial institution corporations. As such, current account transactions were not within the permitted business activities of the respective Target Companies. Based on the confirmation from the Target Companies and the Share Transfer Agreement, such transactions were non-interest bearing and will be terminated before CP Completion Date. Furthermore according to the PRC Legal Adviser, the relevant rules and regulations have not stated any clear penalty for non-interest bearing transactions, the PRC Legal Adviser was not aware of such current account transactions which will have any significant impact on each of the Target Companies' operation and should any penalty be imposed against the relevant Target Company in the future, according to the Share Transfer Agreement, such penalty shall be indemnified by the Vendors. The PRC Legal Adviser is further of the view that the previous entering into such current account transactions will not affect the Target Companies' renewal of their Permits for Medical Device Operating Enterprises upon their expiry date.

(vi) Financial information

Shanghai Emphasis Investment

Based on Shanghai Emphasis Investment's audited financial position for the year ended 31 December 2014, prepared in accordance with IFRS, the audited net assets value of Shanghai Emphasis Investment was amounted to RMB152.0 million as at 31 December 2014.

Set out below is the audited financial performance of Shanghai Emphasis Investment for the two years ended 31 December 2014, prepared in accordance with IFRS:

	Financial year ended 31 December	
	2013	**2014**
	(approximately RMB' million)	*(approximately RMB' million)*
Profit before taxation	88.3	71.9
Profit after taxation	65.7	53.5

Upon Completion, Shanghai Emphasis Investment will become an indirect non-wholly-owned subsidiary of the Company and the financial results thereof will be consolidated into the consolidated financial statements of the Group.

Shanghai Chaolian Trading

Based on Shanghai Chaolian Trading's audited financial position for the year ended 31 December 2014, prepared in accordance with IFRS, the audited net assets value of Shanghai Chaolian Trading was amounted to RMB10.4 million as at 31 December 2014.

Set out below is the audited financial performance of Shanghai Chaolian Trading for the two years ended 31 December 2014, prepared in accordance with IFRS:

	Financial year ended 31 December	
	2013	**2014**
	(approximately RMB' million)	*(approximately RMB' million)*
Profit before taxation	—	13.4
Profit after taxation	—	9.9

Upon Completion, Shanghai Chaolian Trading will become an indirect non-wholly-owned subsidiary of the Company and the financial results thereof will be consolidated into the consolidated financial statements of the Group.

Shanghai Jianchu Medical

Based on Shanghai Jianchu Medical's audited financial position for the year ended 31 December 2014, prepared in accordance with IFRS, the audited net assets value of Shanghai Jianchu Medical was amounted to RMB38.4 million as at 31 December 2014.

Set out below is the audited financial performance of Shanghai Jianchu Medical for the two years ended 31 December 2014, prepared in accordance with IFRS:

	Financial year ended 31 December	
	2013	**2014**
	(approximately RMB' million)	*(approximately RMB' million)*
Profit before taxation	15.3	14.9
Profit after taxation	11.2	11.0

Upon Completion, Shanghai Jianchu Medical will become an indirect non-wholly-owned subsidiary of the Company and the financial results thereof will be consolidated into the consolidated financial statements of the Group.

Shanghai Haole Industrial

Based on Shanghai Haole Industrial's audited financial position for the year ended 31 December 2014, prepared in accordance with IFRS, the unaudited net assets value of Shanghai Haole Industrial was amounted to RMB38.5 million as at 31 December 2014.

Set out below is the audited financial performance of Shanghai Haole Industrial for the two years ended 31 December 2014, prepared in accordance with IFRS:

	Financial year ended 31 December	
	2013	**2014**
	(approximately RMB' million)	*(approximately RMB' million)*
Profit before taxation	8.9	25.6
Profit after taxation	6.6	19.2

Upon Completion, Shanghai Haole Industrial will become an indirect non-wholly-owned subsidiary of the Company and the financial results thereof will be consolidated into the consolidated financial statements of the Group.

Shanghai Dingpei Industrial

Based on Shanghai Dingpei Industrial's audited financial position for the period from 4 April 2014 (establishment date) to 31 December 2014, prepared in accordance with IFRS, the audited net assets value of Shanghai Dingpei Industrial was amounted to RMB3.0 million as at 31 December 2014.

Set out below is the audited financial performance of Shanghai Dingpei Industrial for the period from 4 April 2014 (establishment date) to 31 December 2014, prepared in accordance with IFRS:

	Period from 4 April 2014 (establishment date) to 31 December 2014 *(approximately RMB' million)*
Profit before taxation	4.1
Profit after taxation	3.0

Upon Completion, Shanghai Dingpei Industrial will become an indirect non-wholly-owned subsidiary of the Company and the financial results thereof will be consolidated into the consolidated financial statements of the Group.

(vii) Recovery of account receivables

Most of the sales conducted by the Target Companies consist of terms of full payment before delivery, credit period will only be granted to certain customers of bulk purchase and with long term of business relationship with Target Companies, subject to the approval of the senior management of the Target Companies.

According to the accounting policies of the Target Companies, the account receivables balances are recorded upon the delivery of products to the designated recipient of the customers of the Target Companies, upon which the risk and reward and the ownership of the products is transferred to the customers based on the contractual terms. Deliveries of products are carried out by the Target Companies' logistic department. Upon successful delivery of products, the financial department, according to the delivery notes (with customer's acknowledgement), will record the sales and respective account receivables balance. According to the management of the Target Companies, as at the date of the Share Transfer Agreement, there was no account receivables not recorded in the Target Companies' book.

As at the date of the Share Transfer Agreement (i.e. 9 April 2015) the combined outstanding account receivables balance of the Target Companies amounted to RMB191.0 million. Set out below is the aging analysis of the Target Companies' combined outstanding account receivables balance as at the date of the Share Transfer Agreement:

Aging of the receivables	**Amount**
	RMB' million
Within 1 month	63.9
Between 1 month to 3 months	63.2
Between 3 months to 6 months	53.0
More than 6 months	10.9
	191.0

The Target Companies have maintained a credit review policy in which the senior management of the Target Companies will conduct periodic review of no less than quarterly review on the outstanding account receivables balances, should any account receivables balance be found overdue, the senior management will instruct the marketing and sales department to follow up. Reminders will be sent when necessary to the relevant customer. Should the senior management of the Target Companies find that the account receivables balance to be long outstanding, the senior management of the Target Companies may consider suspending the supply of products to the relevant customer. The relevant credit review procedures shall be applied to all customers of the Target Companies. According to the historical results for the three years ended 31 December 2014, no bad-debt provision was made by the Target Companies. Under the Share Transfer Agreement, the Purchaser will appoint a chief financial officer to the Target Companies. The chief financial officer will monitor and keep track of the settlement of the relevant accounts receivables on a monthly basis.

In view of the above, the Directors considered the recoverability risk of the outstanding account receivables to be remote.

(viii) Management expertise of the Target Companies

The daily operation and management of Target Companies will be monitored by the Board, and the management team of Target Companies will be retained. A chief financial officer will be appointed by the Board to oversees the financial performance of the Target Companies. The qualifications and experience of Target Companies' senior management team are set out below:

Mr. Li Bin (李斌), aged 42, is the Chief Executive Officer of Target Companies. Mr. Li Bin is the founder of Target Companies, responsible for the overall strategic development and strategic objectives formulation of Target Companies, as well as monitoring and managing the sales of Target Companies. Mr. Li Bin has over 22 years working experience in sales and distribution of medical equipment and consumables.

Mr. Li Yao Hui (李耀輝), aged 56, is the head of the internal operation of the Target Companies. Mr. Li Yao Hui is responsible for the internal operation management of Target Companies. Mr. Li Yao Hui was a former officer of a 2A hospital laboratory in Shanghai, and has over 36 years working experience in the field of medical laboratory and served as a laboratory officer for more than 15 years.

Mr. Zhang Bang Xi (張邦熙), aged 60, is the head of human resource of the Target Companies. Mr. Zhang Bang Xi is responsible for human resource management of the Target Companies, as well as monitoring and managing the quality of the company products was a former officer of a 2A hospital laboratory in Shanghai, and has over 40 years working experience in the field of medical laboratory and served as a laboratory officer for more than 25 years.

Mr. Luo Xi (羅喜), aged 36, will be appointed as the financial officer of Target Companies by the Company. Mr. Luo Xi will be responsible for monitoring the financial operations and accounting department of Target Companies. Mr. Luo Xi has over 10 years of experience in financial accounting and auditing in the PRC. He joined the Company in 2009 and served as its audit manager. In addition, the office seal and financial seal of Target Companies will also be properly kept by the financial officer upon the completion. The prior consent of the financial officer shall be obtained for the entering into each agreement and each payment.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Following Completion, the Target Companies will become non-wholly-owned subsidiaries of the Company. The results of the Target Companies will be consolidated in the consolidated financial statements of the Group after Completion.

(i) Assets and liabilities

Based on the audited consolidated financial statements of the Group as at 31 December 2014, the net asset value of the Group was amounted to approximately RMB325.1 million. Based on the unaudited pro forma combined statement of assets and liabilities of the Enlarged Group as if the Acquisition had been completed on 31 December

2014 as set out in Appendix VII to the circular, the total asset of the Group would increase by approximately RMB1,183.4 million to approximately RMB2,301.3 million, which was mainly attributable to the recognition of goodwill amounted to RMB747.3 million. Total liabilities of the Enlarged Group would also increase by approximately RMB505.7 million to approximately RMB1,298.5 million, which was mainly due to the consolidation of the Target Companies' liabilities and the record of the interest-bearing borrowing of RMB300 million in relation to the financing of part of the Consideration.

Accordingly, the unaudited net asset value of the Enlarged Group will increase by approximately RMB677.7 million to approximately RMB1,002.7 million.

(ii) Gearing

As at 31 December 2014, the Group had interest-bearing loans amounted to RMB106.2 million, while the Target Companies had no borrowings from financial institutions as at 31 December 2014. Given the Group will finance part of the Consideration by way of interest-bearing borrowings, the Acquisition would increase the interest-bearing loans amount by RMB300 million and the gearing ratio of the Group will increase from 0.33 to 0.41.

(iii) Earnings

Upon Completion, the Target Companies will become non-wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Group. In addition, since the Target Companies were profit making, it is expected that the Group will be able to record additional income stream from the Target Companies upon Completion.

LISTING RULES IMPLICATIONS

As the applicable aggregate percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are greater than 25% but less than 100%, the Acquisition will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and accordingly, the entering into of the Share Transfer Agreement is subject to the shareholders' approval requirement under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, each of the Vendors and its ultimate beneficial owner is a third party independent of the Company and its connected persons, and does not hold any Shares, accordingly, no Shareholders are required to abstain from voting at the general meeting to approve the relevant resolution(s) regarding the Share Transfer Agreement and the transactions contemplated thereunder. In lieu of holding a general meeting, shareholders' written approvals have been obtained on 9 April 2015 from the Controlling Shareholders who, as at the Latest Practicable Date, altogether held approximately 71.06% of total number of Shares then in issue giving the right to attend and vote at that general meeting of the Company (if the Company were to convene one), to approve the Acquisition and the transactions contemplated thereunder.

The Directors consider that the entering into the Share Transfer Agreement is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Shareholders are concerned. The Directors therefore recommend the Shareholders to vote in favor of the Share Transfer Agreement and the transaction contemplated thereunder should a general meeting be convened to consider the Acquisition.

ADDITIONAL INFORMATION

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

By order of the Board
Yestar International Holdings Company Limited
巨星國際控股有限公司
Hartono James
Chairman, CEO and Executive Director

THREE YEARS FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 December 2012, 2013 and 2014 have been set out in the Company's prospectus and annual reports respectively. All of the above documents were published on the website of the Stock Exchange (http://www.hkexnews.com.hk) and the website of the Company (http://www.yestarcorp.com).

STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this indebtedness statement, the Enlarged Group had an aggregate outstanding indebtedness of approximately RMB276.5 million which was comprised of:

	As at 31 May 2015
	RMB'000
Interest-bearing bank loans:	
Unsecured	153,977
Secured	122,500
	276,477
Repayable:	
Within one year	188,977
Within two to three years	87,500
Total	276,477

Contingent Liabilities

As at the close of business on 31 May 2015, the Enlarged Group did not have any outstanding debts securities, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptances credits, material hire purchase commitments, mortgages or charges, which were either guaranteed, unguaranteed, secured or unsecured.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 May 2015.

WORKING CAPITAL

Taking into account the existing cash and bank balances, the present internal resources and the available banking facilities of the Enlarged Group, the Directors, after due and careful enquiry, are of the opinion that the working capital of the Enlarged Group is sufficient for at least 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statement of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will continue to focus on fast-growing and high-margin segments of China's medical device and consumables industry and strive to maintain as one of leading providers of color photographic paper in the PRC and a provider of a broad range of imaging products in the PRC. After the completion of the Acquisition, the Group's performance in the medical device and consumables sector will be further enhanced. This is a strategic participation in a promising sub-sector of the large and fast growing medical device and consumables industry in the PRC. The Group will consolidate the success of the Target Companies, and will further deepen its sales coverage as well as expand its product portfolio. In addition, as at the Latest Practicable Date, the Group is also exploring opportunities to further expand its operation in the medical equipment industry, by acquiring majority interests in such companies.

Upon completion of the Acquisition, the Target Companies will continue to concentrate on the sales of Roche Products and Thermo Fisher Products and further penetrate into the relevant markets. In light of the potential future prospects offered by the Acquisition as stated in the section headed "Reasons and Benefits for the Acquisition" above, the Directors are of the view that the Acquisition will likely contribute positively to the Enlarged Group. Nevertheless, the actual effect on earnings/losses of the Company will depend on the future financial performance of the Target Companies.

1. ACCOUNTANTS' REPORT OF SHANGHAI EMPHASIS INVESTMENT

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 June 2015

The Directors
Yestar International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of the Shanghai Emphasis Investment Management Consulting Company Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012 and 2013 and 2014, together with the notes thereto, (the "Financial Information"), prepared on the basis of preparation set out in note 2 of Section II below, for inclusion in the circular of Yestar International Holdings Company Limited (the "Company") dated 30 June 2015 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 4 April 2005.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 were audited by Ernst & Young Hua Ming in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements of the Target Company with no adjustment made thereon.

Director's responsibility

The director of the Target Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the director of the Target

Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 December 2012, 31 December 2013 and 31 December 2014 and of the results and cash flows of the Target Company for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

	Notes	**Year ended 31 December 2012** *RMB'000*	**Year ended 31 December 2013** *RMB'000*	**Year ended 31 December 2014** *RMB'000*
REVENUE	7	333,062	452,858	521,378
Cost of sales		(239,419)	(328,910)	(394,856)
Gross profit		93,643	123,948	126,522
Other income and gains	7	157	2,440	2,796
Selling and distribution costs		(10,972)	(15,520)	(22,710)
Administrative expenses		(15,234)	(22,091)	(34,381)
Other expenses		(335)	(479)	(305)
PROFIT BEFORE TAX	8	67,259	88,298	71,922
Income tax expense	11	(16,961)	(22,634)	(18,387)
PROFIT FOR THE YEAR		50,298	65,664	53,535
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		50,298	65,664	53,535
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		50,298	65,664	53,535
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		50,298	65,664	53,535

Statements of Financial Position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000
NON CURRENT ASSETS				
Property, plant and equipment	13	2,694	5,903	6,526
		2,694	5,903	6,526
CURRENT ASSETS				
Inventories	14	3,047	26,784	56,634
Trade receivables	15	45,176	120,991	113,093
Deposits and other receivables	16	4,289	3,255	1,179
Amount due from the controlling shareholder	17	58,994	73,746	59,650
Amounts due from related parties	18	32,413	27,699	72,832
Cash and cash equivalents	19	10,720	3,148	3,349
		154,639	255,623	306,737
CURRENT LIABILITIES				
Trade payables	20	80,495	88,941	83,332
Other payables	21	24,621	31,264	18,478
Amounts due to related parties	18	3,505	6,271	6,792
Tax payable		15,932	36,606	52,682
		124,553	163,082	161,284
NET CURRENT ASSETS		30,086	92,541	145,453
TOTAL ASSETS LESS CURRENT LIABILITIES		32,780	98,444	151,979
Net assets		32,780	98,444	151,979
EQUITY				
Equity attributable to the shareholders				
Issued capital	22	29,880	29,880	29,880
Reserves	23	2,900	68,564	122,099
Total equity		32,780	98,444	151,979

Statements of Changes in Equity

	Attributable to the shareholders			
	Issued capital	**Statutory reserve***	**(Accumulated Loss)/ Retained earnings***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	29,880	4,853	(52,251)	(17,518)
Total comprehensive income for the year	—	—	50,298	50,298
Capital contribution	—	—	—	—
At 31 December 2012 and 1 January 2013	29,880	4,853	(1,953)	32,780
Total comprehensive income for the year	—	—	65,664	65,664
Capital contribution	—	—	—	—
At 31 December 2013 and 1 January 2014	29,880	4,853	63,711	98,444
Total comprehensive income for the year	—	—	53,535	53,535
Capital contribution	—	—	—	—
At 31 December 2014	29,880	4,853	117,246	151,979

* These reserve accounts comprised the reserve of RMB2,900,000, RMB68,564,000 and RMB122,099,000 as at 31 December 2012, 2013 and 2014 respectively, in the statements of financial position.

Statements of Cash Flows

	Note	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		67,259	88,298	71,922
Adjustment for:				
Depreciation	8	2,590	1,923	1,915
Losses of disposal of property, plant and equipment		—	264	122
(Increase)/decrease in trade receivables		(7,326)	(75,815)	7,898
Decrease in deposits and other receivables		24,112	1,034	2,076
Increase in inventories		(3,047)	(23,737)	(29,850)
(Increase)/decrease in amounts due from related parties		(32,386)	4,714	(45,133)
(Decrease)/increase in amounts due to related parties		(785)	2,766	521
(Decrease)/increase in trade payables		(22,361)	8,446	(5,609)
Increase/(decrease) in other payables		17,455	6,643	(12,786)
Income tax paid		(1,409)	(1,960)	(2,311)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		44,102	12,576	(11,235)

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(391)	(5,543)	(2,758)
(Increase)/decrease in amount due from the controlling shareholder		(55,931)	(14,752)	14,096
Cash received from disposal of Property, plant and equipment		—	147	98
NET CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES		(56,322)	(20,148)	11,436
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,220)	(7,572)	201
Cash and cash equivalents at beginning of year		22,940	10,720	3,148
CASH AND CASH EQUIVALENTS AT END OF YEAR		10,720	3,148	3,349

II. NOTES TO FINANCIAL INFORMATION

1. INFORMATION OF THE TARGET COMPANY

Shanghai Emphasis Investment Management Consulting Company Limited (the "Target Company") was established on 4 April 2005 with limited liability in the PRC. The registered office of the Target Company is located at Jinshan district, Shanghai. The registered capital was RMB29.88 million, and owned as to 46% by Mr. Jiang Chao, 28% by Mr. Li Bin, 25% by Mr. Li Changgui and 1% by Ms. Liu Weiyue. The businesses include investment management advisory services, business management consultancy services (except brokers), marketing planning, market information consultation and investigation (not including conducting social surveys and research, public surveys and polls); sale of instruments, computers, software and auxiliary equipment (except specific safety products for computer information systems), office supplies, communication devices, hardware, building and decoration materials, medical devices; and leasing of medical devices, machinery and equipment.

2. BASIS OF PREPARATION

The Financial Information had been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information had been prepared under the historical cost convention and is presented in Renminbi ("RMB"), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IFRS 10 IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these new and revised IFRSs are expected to have a significant impact on the Target Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises, in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

i) has control or joint control over the Target Company;

ii) has significant influence over the Target Company; or

iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

i) the entity and the Target Company are members of the same Target Company;

ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

iii) the entity and the Target Company are joint ventures of the same third party;

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

v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Asset category	Useful lives
Motor vehicles	4–5 years
Storage equipment	3–5 years
Office property	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Target Company's financial assets include cash and cash equivalents, trade and other receivables, amount due from the controlling shareholder and amounts due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statements of profit or loss. The loss arising from impairment is recognised in the statements of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Target Company of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or had entered into a pass-through arrangement, it evaluates if and to what extent it had retained the risk and rewards of ownership of the asset. When it had neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, other payables, and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Pension scheme

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to contribute 22% of its payroll costs to the central pension scheme before 1 October 2013 and 21% of its payroll costs to the central pension scheme after then. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Target Company's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(a) Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal sell and its value in use. The calculation of the fair value less costs of disposal sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Useful lives of property, plant and equipment

The Target Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Target Company will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, the differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed.

(d) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

6. OPERATING SEGMENT INFORMATION

The Target Company currently operates in one business segment, namely, the distribution of medical equipment and associated consumables in the PRC. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Target Company does not have separate reportable segments.

Information about major customers

During the years ended 31 December 2012, 2013 and 2014, the Target Company had four, three and five major customers, respectively, from whom the revenue raised by selling medical equipments and associated consumables of RMB187,758,000, RMB163,257,000, RMB266,169,000 accounted for about 56%, 36% and 51% of the total revenue.

Details of the concentration of credit risk arising from the customers are set out in note 30 to the financial statements.

Geographical information

Since the Target Company solely operates business in the PRC and all of the non-current assets of the Target Company are located in the PRC, no geographical segment information in accordance with IFRS 8 Operating Segments is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Company's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Sales of goods	333,062	452,858	521,378
Other income and gains			
Government subsidies	—	2,270	2,690
Interest income	93	136	106
Others	64	34	—
	157	2,440	2,796

8. PROFIT BEFORE TAX

The Target Company's profits for the Relevant Periods were arrived at after charging:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	239,419	328,910	394,856
Employee benefit expense (excluding director's remuneration as set out in note 9):			
Wages and salaries	6,616	10,693	13,370
Social security contributions	1,738	2,966	3,612
Auditors' remuneration*	14	—	—
Depreciation of items of property, plant and equipment *(note 13)*	2,590	1,923	1,915
Minimum lease payments under operating leases	2,100	6,074	7,882

* As the Target Company neither a listed company nor the state-owned company, there is no requirement that need to be audited every year.

9. DIRECTOR'S REMUNERATION

The chief executive's remuneration during the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	335	335	340

The sole director of the Target Company during the Relevant Periods was Mr. Li Changgui, whose remuneration was Nil during the Relevant Periods.

The Target Company appointed Mr. Li Bin as a chief executive.

10. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees, the director is one of the highest paid employees, and the director's remuneration is disclosed in note 9. Details of the remuneration of the remaining highest paid employees for each of the Relevant Periods are as follows:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	777	1,292	1,476
Discretionary bonuses	—	500	200
	777	1,792	1,676

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**
RMB100,000 to RMB200,000	3	—	—
RMB200,001 to RMB800,000	1	4	4
	4	4	4

11. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC, the profits of the Target Company were subject to income tax at the rate of 25% during the Relevant Periods.

The major component of income tax expense is as follows:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
Current tax	16,961	22,634	18,387
Total tax charge for the year	16,961	22,634	18,387

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	67,259	88,298	71,922
Tax at the statutory tax rate	16,815	22,074	17,980
Expenses not deductible for tax	146	560	407
Tax charge at the Target Company's effective rate	16,961	22,634	18,387

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles *RMB'000*	Storage equipment *RMB'000*	Office property *RMB'000*	Total *RMB'000*
Net carrying amount:				
At 1 January 2012	4,580	10	303	4,893
Additions	223	—	168	391
Depreciation provided during the year	(2,424)	(7)	(159)	(2,590)
At 31 December 2012	2,379	3	312	2,694
At 31 December 2012 and 1 January 2013:				
Cost	20,605	39	982	21,626
Accumulated depreciation	(18,226)	(36)	(670)	(18,932)
Net carrying amount	2,379	3	312	2,694
Net carrying amount:				
At 1 January 2013	2,379	3	312	2,694
Additions	3,647	325	1,571	5,543
Disposal	(7,886)	—	—	(7,886)
Depreciation provided during the year	(1,529)	(12)	(382)	(1,923)
Depreciation written off	7,475	—	—	7,475
At 31 December 2013	4,086	316	1,501	5,903
At 31 December 2013 and 1 January 2014:				
Cost	16,366	364	2,553	19,283
Accumulated depreciation	(12,280)	(48)	(1,052)	(13,380)
Net carrying amount	4,086	316	1,501	5,903
Net carrying amount:				
At 1 January 2014	4,086	316	1,501	5,903
Additions	1,552	16	1,190	2,758
Disposal	(4,398)	—	—	(4,398)
Depreciation provided during the year	(1,060)	(64)	(791)	(1,915)
Depreciation written off	4,178	—	—	4,178
At 31 December 2014	4,358	268	1,900	6,526
At 31 December 2014:				
Cost	13,520	380	3,743	17,643
Accumulated depreciation	(9,162)	(112)	(1,843)	(11,117)
Net carrying amount	4,358	268	1,900	6,526

14. INVENTORIES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	3,047	26,784	56,634

15. TRADE RECEIVABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	45,176	120,991	113,093

The Target Company grants different credit periods to customers. Certain customers are required to make partial payment before or upon delivery. The Target Company seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	42,315	95,853	71,729
Between 90 to 180 days	2,079	21,961	33,597
More than 180 days	782	3,177	7,767
	45,176	120,991	113,093

None of the receivables is either past due or impaired. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

16. DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Deposits	1,765	939	637
Other receivables	2,524	2,316	542
	4,289	3,255	1,179

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. AMOUNT DUE FROM THE CONTROLLING SHAREHOLDER

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the controlling shareholder *(note (i))*	58,994	73,746	59,650

(i) The loan to the Director, Mr. Li Bin who is also a shareholder of the Target Company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Maximum amount outstanding during the year	58,994	73,746	73,746

The loan was unsecured, interest-free and repayable on demand.

18. BALANCES WITH RELATED PARTIES

		As at 31 December		
		2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Shanghai Chaolian Trading Company Limited ("Shanghai Chaolian")	(i)	—	—	23,430
Shanghai Jianchu Medical Instrument Company Limited ("Shanghai Jianchu")	(i)	12,799	—	19,692
Shanghai Haole Industrial Company Limited ("Shanghai Haole")	(i)	4,471	15,385	13,964
Shanghai Dingpei Industrial Company Limited ("Shanghai Dingpei")	(i)	—	—	7,329
Shanghai Hongjue Information Technology Development Company Limited*	(ii)	—	4	4
Liu Hong**	(ii)	15,143	12,310	8,413
		32,413	27,699	72,832
Amounts due to related parties				
Shanghai Jianchu	(i)	—	2,917	—
Shanghai Zhekai Industrial Company Limited*	(ii)	3,505	3,354	2,697
Shanghai Emphasis Medical Device Co., Ltd*	(ii)	—	—	1,700
Li Changgui**	(ii)	—	—	2,395
		3,505	6,271	6,792

Notes:

(i) These balances were trade in nature, unsecured, interest-free and repayable on demand.

(ii) These balances were non-trade in nature, unsecured, interest-free and repayable on demand.

* The companies mentioned above were related parties of the Target Company whose ultimate controlling shareholder is Mr. Li Bin.

** Liu Hong and Li Changgui are close family members of the ultimate controlling shareholder Mr. Li Bin.

The nature of the transactions with related parties is disclosed in note 27.

19. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	10,720	3,148	3,349
Denominated in RMB	10,720	3,148	3,349

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	80,495	88,941	83,332

An aging analysis of the outstanding trade payables as at the end of each of the Relevant Periods based on the invoice date is as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	80,495	88,941	83,332

The trade payables are non-interest-bearing and are normally settled within 90 days.

21. OTHER PAYABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Tax payable	2,147	4,052	4,017
Payroll and welfare payable	993	2,823	5,032
Other payables	21,481	24,389	9,429
	24,621	31,264	18,478

Other payables are non-interest-bearing and repayable on demand.

22. ISSUED CAPITAL

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	29,880	29,880	29,880
Paid-in capital	29,880	29,880	29,880

23. RESERVES

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

In accordance with the Company Law of the PRC, a company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory reserve fund until such reserve reaches 50% of its registered capital. The statutory reserve fund is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

24. CONTINGENT LIABILITIES

The Target Company is currently a defendant in a lawsuit brought by a party alleging that the Target Company breached the sales and purchase contract for the delay in shipment of products and sale of products through other distributor. The director, based on the advice from the Target Company's legal counsel, believe that the Target Company has a valid defense against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

25. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Company leases its office under operating lease arrangement. Leases for office is negotiated for terms ranging from one to five years. The Target Company has total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within a year	3,600	1,931	2,107
In the second to fifth years, inclusive	—	—	—
	3,600	1,931	2,107

26. COMMITMENTS

At the end of the reporting period, the Target Company had no any significant capital commitments.

27. RELATED PARTY TRANSACTIONS

Details of the Target Company's principal related parties are as follows:

Companies whose ultimate controlling shareholder is Mr. Li Bin and an individual who is a close family member of Mr. Li Bin:

(1) Shanghai Haole
(2) Shanghai Chaolian
(3) Shanghai Jianchu
(4) Shanghai Dingpei
(5) Liu Hong

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Periods:

		Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Sales of products				
Shanghai Haole	(i)	8,239	41,882	104,738
Shanghai Chaolian	(i)	—	—	50,916
Shanghai Jianchu	(i)	28,790	24,765	30,109
Shanghai Dingpei	(i)	—	—	10,026
		37,029	66,647	195,789

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Purchases of products				
Shanghai Jianchu	(i)	—	2,511	11,693
Shanghai Chaolian	(i)	—	—	3,722
Shanghai Haole	(i)	63	—	—
		63	2,511	15,415

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Rental fee				
Liu Hong	(i)	2,100	6,074	7,882

Note:

(i) The transactions were undertaken in accordance with the terms of the negotiated agreements and the prices were mutually agreed.

(b) Outstanding balances with related parties:

Details of the Target Company's balances with its related parties at the end of each of the Relevant Periods and the maximum outstanding balances due from the controlling shareholder during the Relevant Periods are disclosed in notes 18 and 17 to the Financial Information.

(c) Compensation of key management personnel of the Target Company:

	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Short-term employee benefits	1,728	3,077	2,679
Pension scheme contributions	298	364	354
	2,026	3,441	3,033

Further details of director's emoluments are included in note 9 to the Financial Information.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
— loans and receivables			
Trade receivables	45,176	120,991	113,093
Financial assets included in deposits and other receivables	2,524	2,316	542
Amount due from the controlling shareholder	58,994	73,746	59,650
Amounts due from related parties	32,413	27,699	72,832
Cash and cash equivalents	10,720	3,148	3,349
	149,827	227,900	249,466

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
— financial liabilities at amortised cost			
Trade payables	80,495	88,941	83,332
Financial liabilities included in other payables	21,481	24,389	9,429
Amounts due to related parties	3,505	6,271	6,792
	105,481	119,601	99,553

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included deposits and other receivables, financial liabilities included in other payables, an amount due from the controlling shareholder and amounts due to/from related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

At the end of each of the Relevant Periods, the Target Company had no material financial asset or liability measured at fair value.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts due to related parties and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Companies' operation. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments either for hedging or for trading purposes. The director reviews and agrees policies for managing each of the risks which are summarised below:

Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Target Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise cash and cash equivalents and other receivables, the Target Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of each of the Relevant Periods, the Target Company had certain concentrations of credit risk as 40% (2013: 16%, 2012: 32%) of the Target Company's trade receivables which were due from major customers. The amounts due from major customers as at 31 December 2014 was RMB70,866,000 (31 December 2013: RMB22,239,000, 31 December 2012: RMB20,142,000).

Liquidity risk

The Target Company aims to maintain sufficient cash and credit lines to meet its liquidity requirement by obtaining its funding requirements from its ultimate shareholder. The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand	Total
	RMB'000	*RMB'000*
31 December 2012		
Trade payables	80,495	80,495
Other payables	21,481	21,481
Amounts due to related parties	3,505	3,505
	105,481	105,481

	On demand	Total
	RMB'000	*RMB'000*
31 December 2013		
Trade payables	88,941	88,941
Other payables	24,389	24,389
Amounts due to related parties	6,271	6,271
	119,601	119,601

	On demand	Total
	RMB'000	*RMB'000*
31 December 2014		
Trade payables	83,332	83,332
Other payables	9,429	9,429
Amounts due to related parties	6,792	6,792
	99,553	99,553

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

31. EVENT AFTER THE REPORTING PERIOD

On 9 April 2015, Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a wholly-owned subsidiary of Yestar International Holdings Co., Ltd. ("Yestar International") entered into a Share Transfer Agreement with Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, pursuant to which the Yestar Medical agreed to acquire 70% of the equity interests in the Company, Shanghai Chaolian, Shanghai Jianchu, Shanghai Haole and Shanghai Dingpei respectively, at an aggregate consideration of RMB910 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON SHANGHAI EMPHASIS INVESTMENT

Business and financial review

The principal business of Shanghai Emphasis Investment is the sales and leasing of medical equipment and the distribution of associated consumables business in the PRC. Shanghai Emphasis Investment was established on 4 April 2005. The profit for the year attributable to the shareholders of Shanghai Emphasis Investment during the three years ended 31 December 2012, 2013 and 2014 (the "Relevant periods") amounted to RMB50.3 million, RMB65.7 million and RMB53.5 million respectively. The increase in profit for the year ended 31 December 2013 was attributable to the increase in customers' demand on Shanghai Emphasis Investment's products during the year. While revenue continued to increase for the year ended 31 December 2014, as a result of the substantial increase in administrative expense due to the increase in staff cost and office rental expense as well as the increase in selling and distribution costs owing to the business expansion of Shanghai Emphasis Investment, profit for the year attributable to the shareholders for the year ended 31 December 2014 recorded a decrease as compared to that of 2013.

For the year ended 31 December 2012 and 2013

Revenue

Shanghai Emphasis Investment's revenue was mainly derived from the sales of Roche Products for the year ended 31 December 2013. Revenue of Shanghai Emphasis Investment for the year ended 31 December 2013 was approximately RMB452.9 million representing an increase of approximately 36.0% over the revenue of approximately RMB333.1 million for the year ended 31 December 2012. The increase in revenue in 2013 was mainly resulted from the increasing demands from the customers.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Emphasis Investment for the year ended 31 December 2013 was approximately RMB328.9 million, representing an increase of approximately 37.4% as compared to the cost of sales of the year ended 31 December 2012 of approximately RMB239.4 million. The increase in cost of sales for 2013 was resulted from (i) the increase in revenue and (ii) the increase in maintenance services in respect of Shanghai Emphasis Investment's medical equipment leasing business.

Gross profit of Shanghai Emphasis Investment for the year ended 31 December 2013 was approximately RMB123.9 million which represented an increase of approximately 32.4% as compared to prior year. The increase in gross profit for the year ended 31 December 2013 was in line with the increase in revenue of Shanghai

Emphasis Investment for the year ended 31 December 2013. Gross profit margin for the year ended 31 December 2013 was approximately 27.4% which remained comparable to the gross profit margin for the year ended 31 December 2012 of 28.1%.

Selling and distribution costs

Selling and distribution costs mainly comprise of staff costs, consultancy fee, transportation and fuel expenses. The selling and distribution costs for the year ended 31 December 2013 were approximately RMB15.5 million which represented an increase of approximately 41.5% as compared to prior year. The substantial increase was resulted from (i) the increase in consultancy fee in respect of sales planning and consultancy; and (ii) the increase in transportation and fuel expenses as a result of business expansion.

Administrative expenses

Administrative expenses mainly comprise of staff costs, rental expenses, office maintenance and amortization and depreciation. The administrative expenses of Shanghai Emphasis Investment for the year ended 31 December 2013 was approximately RMB22.1 million, representing an increase of approximately 45.0% as compared to prior year. The increase was mainly due to the increase in staff cost and office rental expenses.

Taxation

The applicable tax rate of Shanghai Emphasis Investment in the PRC for the year ended 31 December 2013 was 25% (2012: 25%).

Profit for the year

The increase in net profit for the year ended 31 December 2013 by Shanghai Emphasis Investment was principally due the reasons explained above.

For the year ended 31 December 2013 and 2014

Revenue

Shanghai Emphasis Investment's revenue was mainly derived from the sales of Roche Products. Revenue of Shanghai Emphasis Investment for the year ended 31 December 2014 was approximately RMB521.4 million, representing an increase of approximately 15.1% over the revenue of approximately RMB452.9 million for the year ended 31 December 2013. The increase in revenue in 2014 was mainly resulted from the increase in the variety of reagents under the Roche brand supplied by Shanghai Emphasis Investment.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Emphasis Investment for the year ended 31 December 2014 was approximately RMB394.9 million, represented an increase of approximately 20.0% as compared to the cost of sales of approximately RMB328.9 million for the year ended 31 December 2013. The increase in cost of sales for 2014 was resulted from the increase in revenue.

Gross profit of Shanghai Emphasis Investment for the year ended 31 December 2014 was approximately RMB126.5 million which remained comparable to that of 2013. Gross profit margin for the year ended 31 December 2013 was approximately 27.4%, while gross profit margin for the year ended 31 December 2014 recorded a decrease of gross profit margin to 24.3%, such decrease was resulted from the increase in sales to other Target Companies which Shanghai Emphasis Investment charged a relatively low profit margins.

Selling and distribution costs

Selling and distribution costs mainly comprise of staff costs, consultancy fee, transportation and fuel expenses. The selling and distribution costs for the year ended 31 December 2014 were approximately RMB22.7 million which represented an increase of approximately 46.3% as compared to the previous year. Such increase was mainly resulted from the increase in consultancy fee and transportation and fuel expenses as a result of the business expansion.

Administrative expenses

Administrative expenses mainly comprise of staff costs, rental expenses, office maintenance and amortization and depreciation. The administrative expenses of Shanghai Emphasis Investment for the year ended 31 December 2014 were approximately RMB34.4 million, representing an increase of approximately 55.7% as compared to the prior year. The increase was mainly due to the increase in staff cost as a result of recruitment of additional staff during the year.

Taxation

The applicable tax rate of Shanghai Emphasis Investment in the PRC for the year ended 31 December 2014 was 25% (2013: 25%).

Profit for the year

The decrease in net profit for the year ended 31 December 2014 by Shanghai Emphasis Investment was principally due to the net of effect of the the strong demand of the customers on Shanghai Emphasis Investment's products and the increase in the administrative expenses as well as the selling and distribution costs during the year as a result of Shanghai Emphasis Investment's business expansion.

Liquidity and financial resources

As at 31 December 2012, 2013 and 2014, the net current assets of Shanghai Emphasis Investment were approximately RMB30.1 million, RMB92.5 million, and RMB145.5 million, respectively. Shanghai Emphasis Investment had current assets of approximately RMB154.6 million, RMB255.6 million, and RMB306.7 million, respectively, as at 31 December 2012, 2013 and 2014, which mainly consist of amount due from controlling shareholder and related parties, trade receivables, inventories, deposits and other receivables and cash and cash equivalents. Shanghai Emphasis Investment had non-current assets of approximately RMB2.7 million, RMB5.9 million and RMB6.5 million, respectively, as at 31 December 2012, 2013 and 2014 which mainly consist of property, plant and equipment. Shanghai Emphasis Investment had current liabilities of approximately RMB124.6 million, RMB163.1 million, and RMB161.3 million, respectively, as at 31 December 2012, 2013 and 2014 which mainly consist of trade payables, other payables, amount due to related parties, and tax payable. As at 31 December 2012, 2013 and 2014, Shanghai Emphasis Investment has no interest-bearing bank borrowings and as at the Latest Practicable Date, no negotiation is being conducted nor has there been any loan document signed with respect to raising funds by Shanghai Emphasis Investment from financial institutions.

Financing

Total bank borrowing of Shanghai Emphasis Investment, as at 31 December 2012, 2013 2014, were nil, nil and nil.

Capital structure

The capital structure of Shanghai Emphasis Investment composed of equity only; Shanghai Emphasis Investment financed its operation from capital contributions by its equity holders.

As at 31 December 2014, net assets of Shanghai Emphasis Investment were approximately RMB152.0 million. Shanghai Emphasis Investment recorded an increasing trend in net assets for the three years ended 31 December 2012, 2013 and 2014. The increase in net assets value was mainly attributable to the net effect of the profit contribution during the Relevant Periods.

Capital expenditure

Shanghai Emphasis Investment invested approximately RMB0.4 million, RMB5.5 million and RMB2.8 million in capital expenditure for the three years ended 31 December 2012, 2013 and 2014 for acquisition of motor vehicles, storage equipment and office property.

Gearing ratio

The gearing ratio of Shanghai Emphasis Investment as at 31 December 2012, 2013 and 2014, which was calculated on the basis of payables incurred not in the ordinary course of business (excluding amount due to a shareholder and related companies) divided by total equity and multiplied by 100%, were nil, nil and nil.

Significant investment, acquisition or disposal

There was no significant investment held by Shanghai Emphasis Investment during the Relevant Periods. Shanghai Emphasis Investment had no material acquisition or disposal during the Relevant Periods.

Analysis of segment information

Shanghai Emphasis Investment operated in only one business segment, being the engagement in sales and leasing of medical equipment and the distribution of associated consumables in the PRC during the Relevant Periods. Accordingly, no further disclosures by segment information were presented.

Employee information

As at 31 December 2012, 2013 and 2014, Shanghai Emphasis Investment had 169, 237 and 249 employees and remuneration expenses incurred for the years ended 31 December 2012, 2013 and 2014 were approximately RMB8.6 million, RMB14.0 million and RMB17.3 million. Shanghai Emphasis Investment remunerates its employees based on their performance, experience and prevailing industry practice.

Future plans for material investments or capital assets

As at 31 December 2014, Shanghai Emphasis Investment had no plans for material investments or capital assets.

Interest rate exposure

Shanghai Emphasis Investment had no exposure to the risk of changes in market interest rates.

Foreign currency risk

Shanghai Emphasis Investment has no foreign currency risk because its business is conducted in the PRC and all the transactions are denominated in Renminbi ("RMB"). Shanghai Emphasis Investment currently does not have a foreign currency hedging policy.

Contingent liabilities

Shanghai Emphasis Investment is currently a defendant in a lawsuit brought by a party alleging that Shanghai Emphasis Investment breached the sales and purchase contract for the delay in shipment of products and sale of products through other distributor. The director, based on the advice from the Shanghai Emphasis Investment's legal counsel, believe that Shanghai Emphasis Investment has a valid defense against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

Aa at 31 December 2012, 2013 and 2014, save as disclosed above, Shanghai Emphasis Investment had no other significant contingent liabilities.

1. ACCOUNTANTS' REPORT OF SHANGHAI CHAOLIAN TRADING

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 June 2015

The Directors
Yestar International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of the Shanghai Chaolian Trading Company Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012 and 2013 and 2014, together with the notes thereto, (the "Financial Information"), prepared on the basis of preparation set out in note 2 of Section II below, for inclusion in the circular of Yestar International Holdings Company Limited (the "Company") dated 30 June 2015 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 26 February 2002.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 were audited by Ernst & Young Hua Ming in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements of the Target Company with no adjustment made thereon.

Director's responsibility

The director of the Target Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the director of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 December 2012, 31 December 2013 and 31 December 2014 and of the results and cash flows of the Target Company for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
REVENUE	7	—	—	78,291
Cost of sales		—	—	(56,666)
Gross profit		—	—	21,625
Other income and gains	7	—	—	139
Selling and distribution costs		—	—	(5,470)
Administrative expenses		—	—	(2,910)
Other expenses		—	—	(1)
PROFIT BEFORE TAX	8	—	—	13,383
Income tax expense	11	—	—	(3,479)
PROFIT FOR THE YEAR		—	—	9,904
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	—	9,904
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		—	—	9,904
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		—	—	9,904

Statements of Financial Position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000
NON CURRENT ASSETS				
Property, plant and equipment	13	—	—	72
		—	—	72
CURRENT ASSETS				
Trade receivables	14	—	—	28,716
Prepayments, deposits and other receivables	15	—	—	692
Amount due from the controlling shareholder	16	500	500	11,708
Cash and cash equivalents	18	—	—	1,140
		500	500	42,256
CURRENT LIABILITIES				
Other payables	19	—	—	4,991
Amounts due to related parties	17	—	—	23,739
Tax payable		—	—	3,194
		—	—	31,924
NET CURRENT ASSETS		500	500	10,332
TOTAL ASSETS LESS CURRENT LIABILITIES		500	500	10,404
Net assets		500	500	10,404
EQUITY				
Equity attributable to the shareholders				
Issued capital	20	500	500	500
Reserves	21	—	—	9,904
Total equity		500	500	10,404

Statements of Changes in Equity

	Attributable to the shareholders			
	Issued capital	**Statutory reserve***	**Retained earnings***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	500	—	—	500
Total comprehensive income for the year	—	—	—	—
Capital contribution	—	—	—	—
At 31 December 2012 and 1 January 2013	500	—	—	500
Total comprehensive income for the year	—	—	—	—
Capital contribution	—	—	—	—
At 31 December 2013 and 1 January 2014	500	—	—	500
Total comprehensive income for the year	—	—	9,904	9,904
Capital contribution	—	—	—	—
At 31 December 2014	500	—	9,904	10,404

* These reserve accounts comprised the reserve of RMB9,904,000 as at 31 December 2014 (31 December 2013: nil, 31 December 2012: nil) in the statements of financial position.

Statements of Cash Flows

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		—	—	13,383
Adjustment for:				
Depreciation	8	—	—	5
Increase in trade receivables		—	—	(28,716)
Increase in prepayments, deposits and other receivables		—	—	(692)
Increase in amounts due to related parties		—	—	23,739
Increase in other payables		—	—	4,991
Income tax paid		—	—	(285)
NET CASH FLOWS FROM OPERATING ACTIVITIES		—	—	12,425
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		—	—	(77)
Increase in an amount due from the controlling shareholder		—	—	(11,208)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		—	—	(11,285)
NET INCREASE IN CASH AND CASH EQUIVALENTS		—	—	1,140
Cash and cash equivalents at beginning of year		—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		—	—	1,140

II. NOTES TO FINANCIAL INFORMATION

1. INFORMATION OF THE TARGET COMPANY

Shanghai Chaolian Trading Company Limited (the "Target Company") was established on 26 February 2002 with limited liability in the PRC. The registered office of the Target Company is located at Jinshan district, Shanghai. The registered capital was RMB0.5 million, and owned as to 99% by Mr. Li Bin and 1% by Ms. Yu Liping. The business include sale of hardware, paper, cardboard carton products, handicrafts (except gold jewellery), mechanical and electrical products, glass products, office supplies, packaging materials, printing equipment, hotel supplies, electronic equipment, electronic control panel, mechanical equipment, refrigeration equipment; installation and maintenance of home appliances; sale of medical devices; and leasing of self-owned medical devices.

2. BASIS OF PREPARATION

The Financial Information had been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information had been prepared under the historical cost convention and is presented in Renminbi ("RMB"), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IFRS 10 IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these new and revised IFRSs are expected to have a significant impact on the Target Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises, in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

i) has control or joint control over the Target Company;

ii) has significant influence over the Target Company; or

iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

i) the entity and the Target Company are members of the same Target Company;

ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

iii) the entity and the Target Company are joint ventures of the same third party;

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

v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Asset category	Useful lives
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statements of profit or loss on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the statements of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Target Company's financial assets include cash and cash equivalents, trade and other receivables, and amount due from the controlling shareholder.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statements of profit or loss. The loss arising from impairment is recognised in the statements of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Target Company of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or had entered into a pass-through arrangement, it evaluates if and to what extent it had retained the risk and rewards of ownership of the asset. When it had neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownerships have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Target Company's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(a) Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal sell and its value in use. The calculation of the fair value less costs of disposal sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Useful lives of property, plant and equipment

The Target Company determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Target Company will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, the differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed.

(d) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

6. OPERATING SEGMENT INFORMATION

The Target Company currently operates in one business segment, namely, the distribution of medical equipment and associated consumables in the PRC. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Target Company does not have separate reportable segments.

Information about major customers

During the years ended 31 December 2012 and 2013, the Target Companies had no sales transaction; during the year ended 31 December 2014, the Target Company had two customers from whom the revenue raised by selling medical equipments and associated consumables of RMB34,936,000, accounted for about 45% of the total revenue.

Details of the concentration of credit risk arising from the customers are set out in note 27 to the financial statements.

Geographical information

Since the Target Company solely operates business in the PRC and all of the non-current assets of the Target Company are located in the PRC, no geographical segment information in accordance with IFRS 8 Operating Segments is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Company's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Revenue			
Sales of goods	—	—	78,291
Other income and gains			
Government subsidies	—	—	132
Interest income	—	—	7
	—	—	139

8. PROFIT BEFORE TAX

The Target Company's profits for the Relevant Periods were arrived at after charging:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Cost of inventories sold	—	—	56,666
Employee benefit expense (excluding director's remuneration as set out in note 9):			
Wages and salaries	—	—	—
Social security contributions	—	—	—
Auditors' remuneration*	—	—	—
Depreciation of items of property, plant and equipment *(note 13)*	—	—	5
Minimum lease payments under operating leases	—	—	2,495

As the Target Company's employees have signed labour contracts with Shanghai Emphasis Investment Management Consulting Co., Ltd ("Shanghai Emphasis"), the staff costs during the Relevant Periods were undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

* As the Target Company neither a listed company nor the state-owned company, there is no requirement that need to be audited every year.

9. DIRECTOR'S REMUNERATION

Director's remuneration was Nil during the Relevant Periods.

The sole director of the Target Company was Mr. Huang Mingshan who agreed to waive his remuneration during the Relevant Periods.

The Target Company appointed Mr. Li Bin as a chief executive.

As Mr. Li Bin signed a labour contract with Shanghai Emphasis, his remuneration during the Relevant Periods was undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

10. FIVE HIGHEST PAID EMPLOYEES

The remuneration of the five highest paid employees were Nil for each of the Relevant Periods.

As the Target Company's employees have signed labour contracts with Shanghai Emphasis, the five highest paid employees' remuneration during the Relevant Periods were undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

11. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC, the profits of the Target Company were subject to income tax at the rate of 25% during the Relevant Periods.

The major component of income tax expense is as follows:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
Current tax	—	—	3,479
Total tax charge for the year	—	—	3,479

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	—	—	13,383
Tax at the statutory tax rate	—	—	3,346
Expenses not deductible for tax	—	—	133
Tax charge at the Target Company's effective rate	—	—	3,479

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles
	RMB'000
Net carrying amount:	
At 1 January 2014	—
Additions	77
Depreciation provided during the year	(5)
At 31 December 2014	72
At 31 December 2014:	
Cost	77
Accumulated depreciation	(5)
Net carrying amount	72

14. TRADE RECEIVABLES

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	—	28,716

The Target Company grants different credit periods to customers. Certain customers are required to make partial payment before or upon delivery. The Target Company seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	—	—	20,677
Between 90 to 180 days	—	—	5,208
More than 180 days	—	—	2,831
	—	—	28,716

None of the receivables is either past due or impaired. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	—	—	241
Other receivables	—	—	451
	—	—	692

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

16. AMOUNT DUE FROM THE CONTROLLING SHAREHOLDER

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the controlling shareholder *(note (i))*	500	500	11,708

(i) The loan to the director Mr. Li Bin who is also a shareholder of the Target Company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Maximum amount outstanding during the year	500	500	11,708

The loan was unsecured, interest-free and repayable on demand.

17. BALANCES WITH RELATED PARTIES

		As at 31 December		
		2012	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties				
Shanghai Emphasis*	(i)	—	—	23,430
Shanghai Jianchu Medical Instrument Company Limited* ("Shanghai Jianchu")	(i)	—	—	309
		—	—	23,739

Note:

(i) These balances were trade in nature, unsecured, interest-free and repayable on demand.

* The company mentioned above was a related party of the Target Company whose ultimate controlling shareholder is Mr. Li Bin.

The nature of the transactions with related parties is disclosed in note 24.

18. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	—	—	1,140
Denominated in RMB	—	—	1,140

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. OTHER PAYABLES

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Tax payable	—	—	658
Other payables	—	—	4,333
	—	—	4,991

Other payables are non-interest-bearing and repayable on demand.

20. ISSUED CAPITAL

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	500	500	500
Paid-in capital	500	500	500

21. RESERVES

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

In accordance with the Company Law of the PRC, a company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory reserve fund until such reserve reaches 50% of its registered capital. The statutory reserve fund is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

22. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Company leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to five years. The Target Company has total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within a year	—	—	198
In the second to fifth years, inclusive	—	—	—
	—	—	198

23. COMMITMENTS

At the end of the reporting period, the Target Company had no any significant capital commitments.

24. RELATED PARTY TRANSACTIONS

Details of the Target Company's principal related parties are as follows:

Companies whose the ultimate controlling shareholder is Mr. Li Bin and an individual who is a close family member of Mr. Li Bin:

(1) Shanghai Emphasis
(2) Shanghai Jianchu
(3) Liu Hong

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Sales of products				
Shanghai Emphasis	(i)	—	—	3,723

	Notes	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Purchases of products				
Shanghai Emphasis	(i)	—	—	50,916
Shanghai Jianchu	(i)	—	—	768
		—	—	51,684

	Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	*RMB'000*	*RMB'000*
Rental fee				
Liu Hong	(i)	—	—	2,495

Note:

(i) The transactions were undertaken in accordance with the terms of the negotiated agreements and the prices were mutually agreed.

(b) Outstanding balances with related parties:

Details of the Target Company's balances with its related parties at the end of each of the Relevant Periods and the maximum outstanding balance due from the controlling shareholder during the Relevant Periods are disclosed in notes 17 and 16 to the Financial Information.

(c) The compensation of key management personnel were Nil for each of the Relevant Periods.

As the Target Company's employees have signed labour contracts with Shanghai Emphasis, the compensation of key management personnel during the Relevant Periods was undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
— loans and receivables			
Trade receivables	—	—	28,716
Financial assets included in prepayments, deposits and other receivables	—	—	451
Amount due from the controlling shareholder	500	500	11,708
Cash and cash equivalents	—	—	1,140
	500	500	42,015

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
— financial liabilities at amortised cost			
Financial liabilities included in other payables	—	—	4,333
Amounts due to related parties	—	—	23,739
	—	—	28,072

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, an amount due from the controlling shareholder and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

At the end of each of the Relevant Periods, the Target Company had no material financial asset or liability measured at fair value.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts due to related parties and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Companies' operation. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments either for hedging or for trading purposes. The director reviews and agrees policies for managing each of the risks which are summarised below:

Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Target Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise cash and cash equivalents and other receivables, the Target Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of each of the Relevant Periods, the Target Company had certain concentrations of credit risk as 11% (2013: -%, 2012: -%) of the Target Company's trade receivables which were due from major customers. The amounts due from major customers as at 31 December 2014 was RMB3,176,000 (31 December 2013: Nil, 31 December 2012: Nil).

Liquidity risk

The Target Company aims to maintain sufficient cash and credit lines to meet its liquidity requirement by obtaining its funding requirements from its ultimate shareholder. The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

The maturity profile of the Target Company's financial liabilities as at 31 December 2014, based on the contractual undiscounted payments, is as follows:

	On demand	**Total**
	RMB'000	*RMB'000*
31 December 2014		
Other payables	4,333	4,333
Amounts due to related parties	23,739	23,739
	28,072	28,072

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

28. EVENT AFTER THE REPORTING PERIOD

On 9 April 2015,, Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a wholly-owned subsidiary of Yestar International Holdings Co., Ltd. ("Yestar International") entered into a Share Transfer Agreement with Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, pursuant to which the Yestar Medical agreed to acquire 70% of the equity interests in the Company, Shanghai Emphasis, Shanghai Jianchu, Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd. respectively, at an aggregate consideration of RMB910 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON SHANGHAI CHAOLIAN TRADING

Business and financial review

The principal business of Shanghai Chaolian Trading is the sales and leasing of medical equipment and the distribution of associated consumables business in the PRC. Shanghai Chaolian Trading was established on 26 February 2002 yet it only commenced operation in 2014. The revenue and profit for the year attributable to the shareholders of Shanghai Chaolian Trading for the year ended 31 December 2014 amounted to RMB78.3 million and RMB9.9 million respectively. Profit of Shanghai Chaolian Trading was mainly contributed by sales of reagents.

For the year ended 31 December 2014

Revenue

Shanghai Chaolian Trading 's revenue is mainly derived from sales of reagents during the year ended 31 December 2014. Shanghai Chaolian Trading had commenced operation in 2014 and recorded a revenue of approximately RMB78.3 million.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Chaolian Trading for the year ended 31 December 2014 were approximately RMB56.7 million and recorded a gross profit margin of 27.6%.

Selling and distribution costs

Selling and distribution costs mainly comprise of transportation and fuel expenses. The selling and distribution costs for the year ended 31 December 2014 were approximately RMB5.5 million.

Administrative expenses

Administrative expenses mainly comprise of rental expenses, office maintenance and amortization and depreciation. The administrative expenses of Shanghai Chaolian Trading for the year ended 31 December 2014 amounted to approximately RMB2.9 million.

Taxation

The applicable tax rate of Shanghai Chaolian Trading in the PRC for the year ended 31 December 2014 was 25%.

Profit for the year

The net profit for the year ended 31 December 2014 of Shanghai Chaolian Trading was principally contributed by the customers' demand on Shanghai Chaolian Trading's Product.

Liquidity and financial resources

As at 31 December 2012, 2013 and 2014, the net current assets of Shanghai Chaolian Trading were approximately RMB0.5 million, RMB0.5 million, and RMB10.4 million, respectively. Shanghai Chaolian Trading had current asset of approximately RMB0.5 million, RMB0.5 million, and RMB42.3 million, respectively, as at 31 December 2012, 2013 and 2014, which mainly consist of amount due from controlling shareholder and trade receivables, prepayment, deposits and other receivables and cash and cash equivalents. Shanghai Chaolian Trading had no non-current assets as at 31 December 2012 and 2013 and had property, plant and equipment of approximately RMB0.07 million as at 31 December 2014. Shanghai Chaolian Trading had no current liabilities as at 31 December 2012 and 2013 and had current liabilities amounted to RMB31.9 million as at 31 December 2014 which mainly consist of other payables, amount due to related parties and tax payable. As at 31 December 2012, 2013 and 2014, Shanghai Chaolian Trading has no interest-bearing bank borrowings and as at the Latest Practicable Date, no negotiation is being conducted nor there has been any loan document signed with respect to raising funds by Shanghai Chaolian Trading from financial institutions.

Financing

Total bank borrowing of Shanghai Chaolian Trading, as at 31 December 2012, 2013 2014, were approximately nil, nil and nil.

Capital structure

The capital structure of Shanghai Chaolian Trading was composed of equity only; Shanghai Chaolian Trading financed its operation from capital contributions by its equity holders.

As at 31 December 2014, net assets of Shanghai Chaolian Trading were approximately RMB10.4 million.

Capital expenditure

Shanghai Chaolian Trading invested approximately RMB0.08 million in capital expenditure for the year ended 31 December 2014 for acquisition of property, plant and equipment. No capital expenditure was recorded for the year ended 31 December 2012 and 2013.

Gearing ratio

The gearing ratio of Shanghai Chaolian Trading as at 31 December 2012, 2013 and 2014, which was calculated on the basis of payables incurred not in the ordinary course of business (excluding amount due to a shareholder and related companies) divided by total equity and multiplied by 100%, was nil, nil and nil.

Significant investment, acquisition or disposal

There was no significant investment held by Shanghai Chaolian Trading during the Relevant Periods. Shanghai Chaolian Trading had no material acquisition or disposal during the Relevant Periods.

Analysis of segment information

Shanghai Chaolian Trading operated in only one business segment, being the engagement in the sales and leasing of medical equipment and the distribution of associated consumables business in the PRC during the Relevant Periods. Accordingly, no further disclosures by segment information were presented.

Employee information

As at 31 December 2014, Shanghai Chaolian Trading had no employees and did not incur any remuneration expenses for the year ended 31 December 2014.

Future plans for material investments or capital assets

As at 31 December 2014, Shanghai Chaolian Trading had no plans for material investments or capital assets.

Interest rate exposure

Shanghai Chaolian Trading had no exposure to the risk of changes in market interest rates.

Foreign currency risk

Shanghai Chaolian Trading has no foreign currency risk because its business is conducted in the PRC and all the transactions are denominated in Renminbi ("RMB"). Shanghai Chaolian Trading currently does not have a foreign currency hedging policy.

Contingent liabilities

As at 31 December 2012, 2013 and 2014, Shanghai Chaolian Trading had no significant contingent liabilities.

1. ACCOUNTANTS' REPORT OF SHANGHAI JIANCHU MEDICAL

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 June 2015

The Directors
Yestar International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of the Shanghai Jianchu Medical Instrument Company Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012 and 2013 and 2014, together with the notes thereto, (the "Financial Information"), prepared on the basis of preparation set out in note 2 of Section II below, for inclusion in the circular of Yestar International Holdings Company Limited (the "Company") dated 30 June 2015 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 26 August 2011.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 were audited by Ernst & Young Hua Ming in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements of the Target Company with no adjustment made thereon.

Director's responsibility

The director of the Target Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the director of the Target

Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 December 2012, 31 December 2013 and 31 December 2014 and of the results and cash flows of the Target Company for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
REVENUE	7	50,901	98,578	88,308
Cost of sales		(39,639)	(71,106)	(61,848)
Gross profit		11,262	27,472	26,460
Other income and gains	7	15	597	421
Selling and distribution costs		(193)	(4,326)	(4,301)
Administrative expenses		(1,325)	(8,418)	(7,688)
Other expenses		(4)	(4)	(3)
PROFIT BEFORE TAX	8	9,755	15,321	14,889
Income tax expense	11	(2,460)	(4,093)	(3,846)
PROFIT FOR THE YEAR		7,295	11,228	11,043
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,295	11,228	11,043
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		7,295	11,228	11,043
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		7,295	11,228	11,043

Statements of Financial Position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000
NON CURRENT ASSETS				
Property, plant and equipment	13	11,664	11,037	10,443
		11,664	11,037	10,443
CURRENT ASSETS				
Inventories	14	—	2,583	—
Trade receivables	15	18,838	1,389	25,846
Deposits and other receivables	16	—	1,027	182
Amount due from the controlling shareholder	17	—	19,717	31,372
Amounts due from related parties	18	—	5,125	5,547
Cash and cash equivalents	19	6,473	311	968
		25,311	30,152	63,915
CURRENT LIABILITIES				
Trade payables	20	3,178	8,420	3,855
Other payables	21	569	266	3,860
Amount due to the controlling shareholder	17	3,845	—	—
Amounts due to related parties	18	12,799	—	19,692
Tax payable		2,185	5,100	8,505
		22,576	13,786	35,912
NET CURRENT ASSETS		2,735	16,366	28,003
TOTAL ASSETS LESS CURRENT LIABILITIES		14,399	27,403	38,446
Net assets		14,399	27,403	38,446
EQUITY				
Equity attributable to the shareholders				
Issued capital	22	7,104	8,880	8,880
Reserves	23	7,295	18,523	29,566
Total equity		14,399	27,403	38,446

Statements of Changes in Equity

	Attributable to the shareholders			
	Issued capital	**Statutory reserve***	**Retained earnings***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	7,104	—	—	7,104
Total comprehensive income for the year	—	—	7,295	7,295
Capital contribution	—	—	—	—
At 31 December 2012 and 1 January 2013	7,104	—	7,295	14,399
Total comprehensive income for the year	—	—	11,228	11,228
Capital contribution	1,776	—	—	1,776
At 31 December 2013 and 1 January 2014	8,880	—	18,523	27,403
Total comprehensive income for the year	—	—	11,043	11,043
Capital contribution	—	—	—	—
At 31 December 2014	8,880	—	29,566	38,446

* These reserve accounts comprised the reserves of RMB7,295,000, RMB18,523,000 and RMB29,566,000 as at 31 December 2012, 2013 and 2014 respectively, in the statements of financial position.

Statements of Cash Flows

	Note	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		9,755	15,321	14,889
Adjustment for:				
Depreciation	8	387	864	692
(Increase)/decrease in trade receivables		(18,838)	17,449	(24,457)
(Increase)/decrease in deposits and other receivables		—	(1,027)	845
(Increase)/decrease in inventories		—	(2,583)	2,583
Increase in amounts due from related parties		—	(5,125)	(422)
Increase/(decrease) in amounts due to related parties		12,799	(12,799)	19,692
Increase/(decrease) in trade payables		3,178	5,242	(4,565)
Increase/(decrease) in other payables		569	(303)	3,594
Income tax paid		(275)	(1,178)	(441)
NET CASH FLOWS FROM OPERATING ACTIVITIES		7,575	15,861	12,410

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(12,051)	(237)	(98)
Decrease/(increase) in an amount due from the controlling shareholder		3,845	(23,562)	(11,655)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(8,206)	(23,799)	(11,753)
CASH FLOWS FROM A FINANCING ACTIVITY				
Capital contribution from the shareholders		—	1,776	—
NET CASH FLOWS FROM A FINANCING ACTIVITY		—	1,776	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(631)	(6,162)	657
Cash and cash equivalents at beginning of year		7,104	6,473	311
CASH AND CASH EQUIVALENTS AT END OF YEAR		6,473	311	968

II. NOTES TO FINANCIAL INFORMATION

1. INFORMATION OF THE TARGET COMPANY

Shanghai Jianchu Medical Instrument Company Limited (the "Target Company") was established on 26 August 2011 with limited liability in the PRC. The registered office of the Target Company is located at Jinshan district, Shanghai. The registered capital was RMB8.88 million, and owned as to 99% by Mr. Li Bin and 1% by Mr. Li Changkuan. The business include sale of injection and puncture devices, clinical laboratory analytical instruments (including in vitro diagnostic medical devices), medical polymer materials and products, medical laboratory and infrastructure equipment, Class 1 medical devices, instruments, computers, software and auxiliary equipment (except specific safety products for computer information systems), office supplies, communication devices, auto parts, hardware, labour protection supplies, building and decoration materials; provision of consulting services for technology development in the field of medical devices and technology; medical device maintenance; and investment consulting (except brokers).

2. BASIS OF PREPARATION

The Financial Information had been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information had been prepared under the historical cost convention and is presented in Renminbi ("RMB"), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IFRS 10 IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these new and revised IFRSs are expected to have a significant impact on the Target Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the profit or loss in the period in which it arises, in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

i) has control or joint control over the Target Company;

ii) has significant influence over the Target Company; or

iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

i) the entity and the Target Company are members of the same Target Company;

ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

iii) the entity and the Target Company are joint ventures of the same third party;

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

v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Asset category	Useful lives
Motor vehicles	4 years
Building	20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statements of profit or loss on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the statements of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Target Company's financial assets include cash and cash equivalents, trade and other receivables, amount due from the controlling shareholder and amounts due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statements of profit or loss. The loss arising from impairment is recognised in the statements of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Target Company of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred

substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or had entered into a pass-through arrangement, it evaluates if and to what extent it had retained the risk and rewards of ownership of the asset. When it had neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, other payables, amount due to the controlling shareholder and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownerships have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Pension scheme

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to contribute 22% of its payroll costs to the central pension scheme before 1 October 2013 and 21% of its payroll costs to the central pension scheme after then. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Target Company's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(a) Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal sell and its value in use. The calculation of the fair value less costs of disposal sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Useful lives of property, plant and equipment

The Target Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Target Company will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, the differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed.

(d) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

6. OPERATING SEGMENT INFORMATION

The Target Company currently operates in one business segment, namely, the distribution of medical equipment and associated consumables in the PRC. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Target Company does not have separate reportable segments.

Information about major customers

During the years ended 31 December 2012, 2013 and 2014, the Target Company had three, three and two major customers respectively from whom the revenue raised by selling medical equipments and associated consumables of RMB26,050,000, RMB67,879,000, RMB56,953,000 accounted for about 51%, 69% and 64% of the total revenue.

Details of the concentration of credit risk arising from the customers are set out in note 29 to the financial statements.

Geographical information

Since the Target Company solely operates business in the PRC and all of the non-current assets of the Target Company are located in the PRC, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Company's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Sales of goods	50,901	98,578	88,308
Other income and gains			
Government subsidies	—	569	411
Interest income	15	28	10
	15	597	421

8. PROFIT BEFORE TAX

The Target Company's profits for the Relevant Periods were arrived at after charging:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Cost of inventories sold	39,639	71,106	61,848
Employee benefit expense (excluding director's remuneration as set out in note 9):			
Wages and salaries	483	1,841	1,465
Social security contributions	175	296	547
Auditors' remuneration*	—	—	—
Depreciation of items of property, plant and equipment *(note 13)*	387	864	692
Minimum lease payments under operating leases	2	1,645	252

* As the Target Company neither a listed company nor the state-owned company, there is no requirement that need to be audited every year.

9. DIRECTOR'S REMUNERATION

Director's remuneration was Nil during the Relevant Periods.

The sole director of the Target Company was Mr. Li Changkuan who agreed to waive his remuneration during the Relevant Periods.

The Target Company appointed Mr. Li Bin as a chief executive.

As Mr. Li Bin signed a labour contract with Shanghai Emphasis Investment Management Consulting Co., Ltd. ("Shanghai Emphasis"), his remuneration during the Relevant Periods was undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees did not include the director for each of the Relevant Periods. Details of the remuneration of the five highest paid employees for each of the Relevant Periods are as follows:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Salaries, allowances and benefits in kind	598	786	1,130
Discretionary bonuses	—	—	—
	598	786	1,130

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
Nil to RMB100,000	3	—	—
RMB100,001 to RMB300,000	2	5	5
	5	5	5

11. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC, the profits of the Target Company were subject to income tax at the rate of 25% during the Relevant Periods.

The major component of income tax expense is as follows:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Current tax	2,460	4,093	3,846
Total tax charge for the year	2,460	4,093	3,846

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Profit before tax	9,755	15,321	14,889
Tax at the statutory tax rate	2,439	3,830	3,722
Expenses not deductible for tax	21	263	124
Tax charge at the Target Company's effective rate	2,460	4,093	3,846

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Building	Total
	RMB'000	*RMB'000*	*RMB'000*
Net carrying amount:			
At 1 January 2012	—	—	—
Additions	451	11,600	12,051
Depreciation provided during the year	(20)	(367)	(387)
At 31 December 2012	431	11,233	11,664
At 31 December 2012 and 1 January 2013:			
Cost	451	11,600	12,051
Accumulated depreciation	(20)	(367)	(387)
Net carrying amount	431	11,233	11,664
Net carrying amount:			
At 1 January 2013	431	11,233	11,664
Additions	237	—	237
Depreciation provided during the period	(129)	(735)	(864)
At 31 December 2013	539	10,498	11,037
At 31 December 2013 and 1 January 2014:			
Cost	687	11,600	12,287
Accumulated depreciation	(148)	(1,102)	(1,250)
Net carrying amount	539	10,498	11,037
Net carrying amount:			
At 1 January 2014	539	10,498	11,037
Additions	98	—	98
Depreciation provided during the period	(141)	(551)	(692)
At 31 December 2014	496	9,947	10,443
At 31 December 2014:			
Cost	785	11,600	12,385
Accumulated depreciation	(289)	(1,653)	(1,942)
Net carrying amount	496	9,947	10,443

14. INVENTORIES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	—	2,583	—

15. TRADE RECEIVABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	18,838	1,389	25,846

The Target Company grants different credit periods to customers. Certain customers are required to make partial payment before or upon delivery. The Target Company seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	16,119	716	24,745
Between 90 to 180 days	2,719	452	1,078
More than 180 days	—	221	23
	18,838	1,389	25,846

None of the receivables is either past due or impaired. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

16. DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Petty cash	—	183	—
Other receivables	—	844	182
	—	1,027	182

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. AMOUNT DUE FROM/TO THE CONTROLLING SHAREHOLDER

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the controlling shareholder *(note (i))*	—	19,717	31,372

(i) The loan to the Director Mr. Li Bin who is also a shareholder of the Target Company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Maximum amount outstanding during the year	—	19,717	31,372

The loan was unsecured, interest-free and repayable on demand.

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Amount due to the controlling shareholder	3,845	—	—

18. BALANCES WITH RELATED PARTIES

		As at 31 December		
		2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Shanghai Chaolian Trading Company Limited ("Shanghai Chaolian")	(i)	—	—	309
Shanghai Emphasis	(i)	—	2,917	—
Shanghai Haole Industrial Company Limited ("Shanghai Haole")	(i)	—	—	259
Shanghai Dingpei Industrial Company Limited ("Shanghai Dingpei")	(i)	—	—	113
Liu Hong*	(ii)	—	2,208	4,866
		—	5,125	5,547
Amounts due to related parties				
Shanghai Emphasis	(i)	12,799	—	19,692

Notes:

(i) These balances were trade in nature, unsecured, interest-free and repayable on demand.

(ii) The balance was non-trade in nature, unsecured, interest-free and repayable on demand.

* Liu Hong is a close family member of the ultimate controlling shareholder Mr. Li Bin.

The nature of the transactions with related parties is disclosed in note 26.

19. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	6,473	311	968
Denominated in RMB	6,473	311	968

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,178	8,420	3,855

An aging analysis of the outstanding trade payables as at the end of each of the Relevant Periods based on the invoice date is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	3,178	8,420	3,855

The trade payables are non-interest-bearing and are normally settled within 90 days.

21. OTHER PAYABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Tax payable	279	—	613
Other payables	290	266	3,247
	569	266	3,860

Other payables are non-interest-bearing and repayable on demand.

22. ISSUED CAPITAL

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	8,880	8,880	8,880
Paid-in capital	7,104	8,880	8,880

23. RESERVES

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

In accordance with the Company Law of the PRC, a company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory reserve fund until such reserve reaches 50% of its registered capital. The statutory reserve fund is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

24. OPERATING LEASE ARRANGEMENT

As lessee

The Target Company leases its office under operating lease arrangement. Lease for the office is negotiated for terms ranging from one to five years. The Target Company has total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within a year	—	180	—
In the second to fifth years, inclusive	—	—	—
	—	180	—

25. COMMITMENTS

At the end of the reporting period, the Target Company had no any significant capital commitments.

26. RELATED PARTY TRANSACTIONS

Details of the Target Company's principal related parties are as follows:

Companies whose the ultimate controlling shareholder is Mr. Li Bin and an individual who is a close family member of Mr. Li Bin:

(1) Shanghai Emphasis
(2) Shanghai Chaolian
(3) Shanghai Haole
(4) Shanghai Dingpei
(5) Liu Hong

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Periods:

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Sales of products				
Shanghai Emphasis	(i)	—	2,511	11,693
Shanghai Chaolian	(i)	—	—	768
Shanghai Haole	(i)	—	—	505
Shanghai Dingpei	(i)	—	—	96
		—	2,511	13,062

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Purchases of products				
Shanghai Emphasis	(i)	28,790	24,765	30,109

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Rental fee				
Liu Hong	(i)	2	1,645	252

Note:

(i) The transactions were undertaken in accordance with the terms of the negotiated agreements and the prices were mutually agreed.

(b) Outstanding balances with related parties:

Details of the Target Company's balances with its related parties at the end of each of the Relevant Periods and the maximum outstanding balance due from the controlling shareholder during the Relevant Periods are disclosed in notes 18 and 17 to the Financial Information.

(c) Compensation of key management personnel of the Target Company:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	324	339	374
Pension scheme contributions	53	53	61
	377	392	435

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial assets — loans and receivables			
Trade receivables	18,838	1,389	25,846
Financial assets included in deposits and other receivables	—	844	182
Amount due from the controlling shareholder	—	19,717	31,372
Amounts due from related parties	—	5,125	5,547
Cash and cash equivalents	6,473	311	968
	25,311	27,386	63,915

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities — financial liabilities at amortised cost			
Trade payables	3,178	8,420	3,855
Financial liabilities included in other payables	290	266	3,247
Amount due to the controlling shareholder	3,845	—	—
Amounts due to the related parties	12,799	—	19,692
	20,112	8,686	26,794

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, an amount due from the controlling shareholder and amounts due to/from related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

At the end of each of the Relevant Periods, the Target Company had no material financial asset or liability measured at fair value.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts due to related parties and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Companies' operation. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments either for hedging or for trading purposes. The director reviews and agrees policies for managing each of the risks which are summarised below:

Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Target Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise cash and cash equivalents and other receivables, the Target Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of each of the Relevant Periods, the Target Company had certain concentrations of credit risk as 75% (2013: 85%, 2012: 42%) of the Target Company's trade receivables which were due from major customers. The amounts due from major customers as at 31 December 2014 was RMB19,770,000 (31 December 2013: RMB3,666,000, 31 December 2012: RMB7,944,000).

Liquidity risk

The Target Company aims to maintain sufficient cash and credit lines to meet its liquidity requirement by obtaining its funding requirements from its ultimate shareholder. The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand	Total
	RMB'000	*RMB'000*
31 December 2012		
Trade payables	3,178	3,178
Other payables	290	290
Amount due to the controlling shareholder	3,845	3,845
Amounts due to related parties	12,799	12,799
	20,112	20,112

	On demand	Total
	RMB'000	*RMB'000*
31 December 2013		
Trade payables	8,420	8,420
Other payables	266	266
Amounts due to related parties	—	—
	8,686	8,686

	On demand	Total
	RMB'000	*RMB'000*
31 December 2014		
Trade payables	3,855	3,855
Other payables	3,247	3,247
Amounts due to related parties	19,692	19,692
	26,794	26,794

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

30. EVENT AFTER THE REPORTING PERIOD

On 8 April 2015, the shareholders of Target Company resolved to distribute a final dividend of RMB9.947 million to its shareholder Mr. Li Bin out of the retained profits of Target Company as at 31 December 2014. Mr. Li Bin would undertake all the related taxes to be withheld to the PRC authorities.

On 8 April 2015, Target Company entered into the Property Rights Transfer Agreement with Mr. Li Bin, pursuant to which Target Company agreed to transfer the property rights to Mr. Li Bin at a net value of RMB9.947 million as at December 31, 2014. Mr. Li Bin agreed to pay the transfer price with the net profit distributed to him under the resolution of shareholder meeting held on 8 April 2015. Pursuant to the agreement, Mr. Li Bin would undertake all the related taxes and fees to be withheld or paid to the PRC authorities.

On 9 April 2015, Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a wholly-owned subsidiary of Yestar International Holdings Co., Ltd. ("Yestar International") entered into a Share Transfer Agreement with Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, pursuant to which the Yestar Medical agreed to acquire 70% of the equity interests in the Company, Shanghai Emphasis, Shanghai Chaolian, Shanghai Haole and Shanghai Dingpei respectively, at an aggregate consideration of RMB910 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON SHANGHAI JIANCHU MEDICAL

Business and financial review

The principal business of Shanghai Jianchu Medical is the sales of medical equipment and the distribution associated consumables business in the PRC. Shanghai Jianchu Medical was established on 26 August 2011. The profit generated by Shanghai Jianchu Medical to the shareholders for the three years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods") amounted to approximately RMB7.3 million, RMB11.2 million and RMB11.0 million respectively. The increase in profit for the year ended 31 December 2013 was mainly contributed by the increase in revenue as a result of the increase in product demand of Shanghai Jianchu Medical's customers. Profit for the year ended 31 December 2014 remained comparable to that of 2013 despite revenue having decreased by approximately 10.4% owing to the combined effect of the increase in gross profit margin and the decrease in selling and distribution costs and administrative expenses.

For the year ended 31 December 2012 and 2013

Revenue

Shanghai Jianchu Medical's revenue is mainly derived from the sales of reagents for the year ended 31 December 2013. Revenue of Shanghai Jianchu Medical for the year ended 31 December 2013 was approximately RMB98.6 million, representing an increase of approximately 93.7% over the revenue of approximately RMB50.9 million for the year ended 31 December 2012. The increase in revenue in 2013 was mainly resulted from the enlarged customer bases.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Jianchu Medical for the year ended 31 December 2013 was approximately RMB71.1 million, represented an increase of approximately 79.4% as compared to the cost of sales of the year ended 31 December 2012 of approximately RMB39.6 million. The increase in cost of sales for 2013 was mainly resulted from the increase in revenue.

Gross profit of the Shanghai Jianchu Medical for the year ended 31 December 2013 was approximately RMB27.5 million which represented an increase of approximately 143.9% as compared to the prior year. The increase in gross profit for the year ended 31 December 2013 was in line with the increase in revenue. Gross profit margin for the year ended 31 December 2013 was approximately 27.9% which improved as compared to the gross profit margin for the year ended 31 December 2012 of approximately 22.1%.

Selling and distribution costs

Selling and distribution costs mainly comprise of staff costs and transportation and fuel expenses. The selling and distribution costs for the year ended 31 December 2013 were approximately RMB4.3 million which represented a significant increase as compared to the prior year of approximately RMB0.2 million. The increase was mainly contributed by the increase in travelling expenses for business expansion.

Administrative expenses

Administrative expenses mainly comprise of staff costs, rental expenses, office maintenance and amortization and depreciation. The administrative expenses of Shanghai Jianchu Medical for the year ended 31 December 2013 was amounted to approximately RMB8.4 million representing an increase of approximately 535.3% as compared to the prior year. The substantial increase was mainly contributed by the increase in staff cost as a result of the increase in headcount during the year and the increase in office expense as well as rental expenses due to the expansion of Shanghai Jianchu Medical.

Taxation

The applicable tax rate of Shanghai Jianchu Medical in the PRC for the year ended 31 December 2013 was 25% (2012: 25%).

Profit for the year

The increase in net profit for the year ended 31 December 2013 by Shanghai Jianchu Medical was principally due to the increase in sales resulted from the enlarged customer bases during the year.

For the year ended 31 December 2013 and 2014

Revenue

Shanghai Jianchu Medical's revenue is mainly derived from the sales of reagents for the year ended 31 December 2014. Revenue of Shanghai Jianchu Medical for the year ended 31 December 2014 was approximately RMB88.3 million representing a decrease of approximately 10.4% as compared to the revenue of approximately RMB98.6 million for the year ended 31 December 2013. The decrease in revenue in 2014 was mainly resulted from the shift in one major customer purchase from Shanghai Jianchu Medical to Shanghai Haole Industrial.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Jianchu Medical for the year ended 31 December 2014 were approximately RMB61.8 million, represented a decrease of approximately 13.0% as compared to the cost of sales of the year ended 31 December 2013 of approximately RMB71.1 million. The decrease in cost of sales for 2014 was mainly due to the decrease in revenue during the year.

Gross profit of the Shanghai Jianchu Medical for the year ended 31 December 2014 was approximately RMB26.5 million which represented a slight decrease of approximately 3.7% as compared to the prior year. The decrease in gross profit for the year ended 31 December 2014 was in line with the decrease in revenue. Gross profit margin for the year ended 31 December 2014 was approximately 30.0% which improved as compared to the gross profit margin for the year ended 31 December 2013 of 27.9%.

Selling and distribution costs

Selling and distribution costs mainly comprise of staff costs, transportation and fuel expenses, and marketing expenses. The selling and distribution costs for the year ended 31 December 2014 were approximately RMB4.3 million which remained comparable to the previous year.

Administrative expenses

Administrative expenses mainly comprise of staff costs, rental expenses, office maintenance and amortization and depreciation. The administrative expenses of Shanghai Jianchu Medical for the year ended 31 December 2014 was amounted to approximately RMB7.7 million representing a decrease of approximately 8.7% as compared to prior year. The decrease was mainly due to the combined effect of the decrease in rental expense and the increase in office and other related expenses.

Taxation

The applicable tax rate of Shanghai Jianchu Medical in the PRC for the year ended 31 December 2014 was 25% (2013: 25%).

Profit for the year

As a result of the above, the net profit for the year ended 31 December 2014 remained comparable to the year ended 31 December 2013.

Liquidity and financial resources

As at 31 December 2012, 2013 and 2014, the net current assets of Shanghai Jianchu Medical were approximately RMB2.7 million, RMB16.4 million, and RMB28.0 million, respectively. Shanghai Jianchu Medical had current asset of approximately RMB25.3 million, RMB30.2 million, and RMB63.9 million, respectively, as at 31 December 2012, 2013 and 2014, which mainly consist of amount due from controlling shareholder and related parties, trade receivables, deposits and other receivables inventories and cash and cash equivalents. Shanghai Jianchu Medical had non-current assets of property, plant and equipment amounted to approximately RMB11.7 million, RMB11.0 million and RMB10.4 million as at 31 December 2012, 2013 and 2014 respectively. Shanghai Jianchu Medical had no non-current liabilities as at 31 December 2012, 2013 and 2014 respectively. As at 31 December 2012, 2013 and 2014, Shanghai Jianchu Medical has no interest-bearing bank borrowings and as at the Latest Practicable Date, no negotiation is being conducted nor there has been any loan document signed with respect to raising funds by Shanghai Jianchu Medical from financial institutions.

Financing

Total bank borrowing of Shanghai Jianchu Medical, as at 31 December 2012, 2013 2014, were approximately nil, nil and nil.

Capital structure

The capital structure of Shanghai Jianchu Medical was composed of equity only; Shanghai Jianchu Medical financed its operation from capital contributions by its equity holders.

As at 31 December 2014, net assets value of Shanghai Jianchu Medical was approximately RMB38.4 million. Shanghai Jianchu Medical recorded an increasing trend in net assets for the three years ended 31 December 2012, 2013 and 2014. The increase in net assets values during the three years ended 31 December 2012, 2013 and 2014 were mainly attributable to the net effect of the profit contribution during the year.

Capital expenditure

Shanghai Jianchu Medical invested approximately RMB12.1 million, RMB0.2 million and RMB0.1 million in capital expenditure for the three years ended 31 December 2012, 2013 and 2014 respectively for acquisition of motor vehicle and buildings.

Gearing ratio

The gearing ratio of Shanghai Jianchu Medical as at 31 December 2012, 2013 and 2014, which was calculated on the basis of payables incurred not in the ordinary course of business (excluding amount due to a shareholder and related companies) divided by total equity and multiplied by 100%, was nil, nil and nil.

Significant investment, acquisition or disposal

There was no significant investment held by the Shanghai Jianchu Medical during the Relevant Periods. Shanghai Jianchu Medical had no material acquisition or disposal during the Relevant Periods.

Analysis of segment information

Shanghai Jianchu Medical operated in only one business segment, being the engagement in sales of medical equipment and associated consumables in the PRC during the Relevant Periods. Accordingly, no further disclosures by segment information were presented.

Employee information

As at 31 December 2012, 2013 and 2014, Shanghai Jianchu Medical had 7, 11, and 19 employees and remuneration expenses incurred for the years ended 31 December 2012, 2013 and 2014 were approximately RMB0.7 million, RMB2.1 million, and RMB2.0 million respectively. Shanghai Jianchu Medical remunerates its employees based on their performance, experience and prevailing industry practice.

Future plans for material investments or capital assets

As at 31 December 2014, Shanghai Jianchu Medical had no plans for material investments or capital assets.

Interest rate exposure

Shanghai Jianchu Medical had no exposure to the risk of changes in market interest rates.

Foreign currency risk

Shanghai Jianchu Medical has no foreign currency risk because it conducted its business in the PRC and all the transactions are denominated in Renminbi ("RMB"). Shanghai Jianchu Medical currently does not have a foreign currency hedging policy.

Contingent liabilities

As at 31 December 2012, 2013 and 2014, Shanghai Jianchu Medical had no significant contingent liabilities.

1. ACCOUNTANTS' REPORT OF SHANGHAI HAOLE INDUSTRIAL

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 June 2015

The Directors
Yestar International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of the Shanghai Haole Industrial Company Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012 and 2013 and 2014, together with the notes thereto, (the "Financial Information"), prepared on the basis of preparation set out in note 2 of Section II below, for inclusion in the circular of Yestar International Holdings Company Limited (the "Company") dated 30 June 2015 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 1 June 2010.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014 were audited by Ernst & Young Hua Ming in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements of the Target Company with no adjustment made thereon.

Director's responsibility

The director of the Target Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the director of the Target

Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 December 2012, 31 December 2013 and 31 December 2014 and of the results and cash flows of the Target Company for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
REVENUE	7	16,392	60,912	142,517
Cost of sales		(12,113)	(44,707)	(104,231)
Gross profit		4,279	16,205	38,286
Other income and gains	7	13	10	90
Selling and distribution costs		(1,340)	(5,352)	(7,237)
Administrative expenses		(1,455)	(1,995)	(5,526)
Other expenses		(705)	(7)	(3)
PROFIT BEFORE TAX	8	792	8,861	25,610
Income tax expense	11	(379)	(2,216)	(6,411)
PROFIT FOR THE YEAR		413	6,645	19,199
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		413	6,645	19,199
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		413	6,645	19,199
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
The shareholders		413	6,645	19,199

Statements of Financial Position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000
NON CURRENT ASSETS				
Property, plant and equipment	13	1,262	1,258	2,549
		1,262	1,258	2,549
CURRENT ASSETS				
Inventories	14	4,991	458	20
Trade receivables	15	4,278	23,100	33,336
Prepayments, deposits and other receivables	16	6,503	7,204	154
Amount due from the controlling shareholder	17	2,560	7,937	29,606
Amount due from a related party	18	—	472	232
Cash and cash equivalents	19	724	2,301	2,725
		19,056	41,472	66,073
CURRENT LIABILITIES				
Trade payables	20	1,777	1,097	971
Other payables	21	833	4,320	6,929
Amounts due to related parties	18	4,641	15,385	14,223
Tax payable		379	2,595	7,967
		7,630	23,397	30,090
NET CURRENT ASSETS		11,426	18,075	35,983
TOTAL ASSETS LESS CURRENT LIABILITIES		12,688	19,333	38,532
Net assets		12,688	19,333	38,532
EQUITY				
Equity attributable to the shareholders				
Issued capital	22	11,952	11,952	11,952
Reserves	23	736	7,381	26,580
Total equity		12,688	19,333	38,532

Statements of Changes in Equity

	Attributable to the shareholders			
	Issued capital	**Statutory reserve***	**Retained earnings***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	5,976	—	323	6,299
Total comprehensive income for the year	—	—	413	413
Capital contribution	5,976	—	—	5,976
At 31 December 2012 and 1 January 2013	11,952	—	736	12,688
Total comprehensive income for the year	—	—	6,645	6,645
Capital contribution	—	—	—	—
At 31 December 2013 and 1 January 2014	11,952	—	7,381	19,333
Total comprehensive income for the year	—	—	19,199	19,199
Capital contribution	—	—	—	—
At 31 December 2014	11,952	—	26,580	38,532

* These reserve accounts comprised the reserves of RMB736,000, RMB7,381,000 and RMB26,580,000 as at 31 December 2012, 2013 and 2014 respectively, in the statements of financial position.

Statements of Cash Flows

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		792	8,861	25,610
Adjustment for:				
Depreciation	8	276	339	673
Decrease/(increase) in trade receivables		296	(18,822)	(10,236)
Decrease/(increase) in prepayments, deposits and other receivables		4,586	(701)	7,050
Decrease/(increase) in inventories		(4,992)	4,533	438
(Increase)/decrease in amount due from a related party		—	(472)	240
(Decrease)/increase in amounts due to related parties		(4,512)	10,744	(1,162)
(Decrease)/increase in trade payables		(1,133)	(680)	(126)
Increase in other payables		803	3,487	2,609
Income tax paid		(73)	—	(1,039)
NET CASH FLOWS (USED IN)/ FROM OPERATING ACTIVITIES		(3,957)	7,289	24,057
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(999)	(335)	(1,964)
Increase in an amount due from the controlling shareholder		(2,559)	(5,377)	(21,669)
Cash received from disposal of property, plant and equipment		65	—	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,493)	(5,712)	(23,633)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from the shareholders		5,976	—	—
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		5,976	—	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,474)	1,577	424
Cash and cash equivalents at beginning of year		2,198	724	2,301
CASH AND CASH EQUIVALENTS AT END OF YEAR		724	2,301	2,725

II. NOTES TO FINANCIAL INFORMATION

1. INFORMATION OF THE TARGET COMPANY

Shanghai Haole Industrial Company Limited (the "Target Company") was established on 1 June 2010 with limited liability in the PRC. The registered office of the Target Company is located at Jiading district, Shanghai. The registered capital was RMB11.95 million, and owned as to 99% by Mr. Li Bin and 1% by Ms. Liu Weiyue. The business include real estate development; municipal engineering; architectural engineering; investment management; design, production and agencies for various types of advertisements; property management; provision of consultation services for technology development in the field of medical devices, technology consultation, technology transfer; exhibition services; conferencing services; business consultation; sale of clinical laboratory analytical instruments (including in vitro diagnostic medical devices), mechanical and electrical equipment, electronic products, handicrafts, instruments, hardware, building and decoration materials; and leasing of medical devices.

2. BASIS OF PREPARATION

The Financial Information had been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information had been prepared under the historical cost convention and is presented in Renminbi ("RMB"), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IFRS 10 IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these new and revised IFRSs are expected to have a significant impact on the Target Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises, in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

i) has control or joint control over the Target Company;

ii) has significant influence over the Target Company; or

iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

i) the entity and the Target Company are members of the same Target Company;

ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

iii) the entity and the Target Company are joint ventures of the same third party;

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

v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Asset category	Useful lives
Motor vehicles	4–5 years
Office property	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statements of profit or loss on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the statements of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Target Company's financial assets include cash and cash equivalents, trade and other receivables, amount due from the controlling shareholder and amount due from a related party.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statements of profit or loss. The loss arising from impairment is recognised in the statements of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Target Company of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or had entered into a pass-through arrangement, it evaluates if and to what extent it had retained the risk and rewards of ownership of the asset. When it had neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownerships have been transferred to the buyer, provided that the Target Company maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Target Company's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(a) Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal sell and its value in use. The calculation of the fair value less costs of disposal sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Useful lives of property, plant and equipment

The Target Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Target Company will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, the differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed.

(d) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

6. OPERATING SEGMENT INFORMATION

The Target Company currently operates in one business segment, namely, the distribution of medical equipment and associated consumables in the PRC. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Target Company does not have separate reportable segments.

Information about major customers

During the years ended 31 December 2012, 2013 and 2014, the Target Company had three, two and three major customers, respectively, from whom the revenue raised by selling medical equipments and associated consumables of RMB9,491,000, RMB23,208,000, RMB90,832,000, accounted for about 58%, 38% and 64% of the total revenue.

Details of the concentration of credit risk arising from the customers are set out in note 30 to the financial statements.

Geographical information

Since the Target Company solely operates business in the PRC and all of the non-current assets of the Target Company are located in the PRC, no geographical segment information in accordance with IFRS 8 Operating Segments is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Company's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Sales of goods	16,392	60,912	142,517
Other income and gains			
Government subsidies	—	—	76
Interest income	13	10	14
	13	10	90

8. PROFIT BEFORE TAX

The Target Company's profits for the Relevant Periods were arrived at after charging:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	12,113	44,707	104,231
Employee benefit expense (excluding director's remuneration as set out in note 9):			
Wages and salaries	—	—	—
Social security contributions	—	—	—
Auditors' remuneration*	—	—	—
Depreciation of items of property, plant and equipment *(note 13)*	276	339	673
Minimum lease payments under operating leases	427	968	2,561

As the Target Company's employees have signed labour contracts with Shanghai Emphasis Investment Management Consulting Co., Ltd ("Shanghai Emphasis"), the staff costs during the Relevant Periods were undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

* As the Target Company neither a listed company nor the state-owned company, there is no requirement that need to be audited every year.

9. DIRECTOR'S REMUNERATION

Director's remuneration was Nil during the Relevant Periods.

The sole director of the Target Company was Mr. Li Changgui who agreed to waive his remuneration during the Relevant Periods.

The Target Company appointed Mr. Li Bin as a chief executive.

As Mr. Li Bin signed a labour contract with Shanghai Emphasis, his remuneration during the Relevant Periods was undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

10. FIVE HIGHEST PAID EMPLOYEES

The remuneration of the five highest paid employees were Nil for each of the Relevant Periods.

As the Target Company's employees have signed labour contracts with Shanghai Emphasis, the five highest paid employees' remuneration during the Relevant Periods were undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

11. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC, the profits of the Target Company were subject to income tax at the rate of 25% during the Relevant Periods.

The major component of income tax expense is as follows:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Current tax	379	2,216	6,411
Total tax charge for the year	379	2,216	6,411

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Profit before tax	792	8,861	25,610
Tax at the statutory tax rate	198	2,215	6,402
Expenses not deductible for tax	181	1	9
Tax charge at the Target Company's effective rate	379	2,216	6,411

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office property	Total
	RMB'000	*RMB'000*	*RMB'000*
Net carrying amount:			
At 1 January 2012	546	58	604
Additions	999	—	999
Disposal	(79)	—	(79)
Depreciation provided during the year	(260)	(16)	(276)
Depreciation written off	14	—	14
At 31 December 2012	1,220	42	1,262
At 31 December 2012 and 1 January 2013:			
Cost	1,495	81	1,576
Accumulated depreciation	(275)	(39)	(314)
Net carrying amount	1,220	42	1,262
Net carrying amount:			
At 1 January 2013	1,220	42	1,262
Additions	335	—	335
Depreciation provided during the period	(324)	(15)	(339)
At 31 December 2013	1,231	27	1,258
At 31 December 2013 and 1 January 2014:			
Cost	1,830	81	1,911
Accumulated depreciation	(599)	(54)	(653)
Net carrying amount	1,231	27	1,258
Net carrying amount:			
At 1 January 2014	1,231	27	1,258
Additions	1,964	—	1,964
Depreciation provided during the period	(658)	(15)	(673)
At 31 December 2014	2,537	12	2,549
At 31 December 2014:			
Cost	3,794	81	3,875
Accumulated depreciation	(1,257)	(69)	(1,326)
Net carrying amount	2,537	12	2,549

14. INVENTORIES

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	4,991	458	20

15. TRADE RECEIVABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	4,278	23,100	33,336

The Target Company grants different credit periods to customers. Certain customers are required to make partial payment before or upon delivery. The Target Company seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	2,843	22,098	29,150
Between 90 to 180 days	1,415	971	3,802
More than 180 days	20	31	384
	4,278	23,100	33,336

None of the receivables is either past due or impaired. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Petty cash	74	14	—
Prepayments	—	161	154
Other receivables	6,429	7,029	—
	6,503	7,204	154

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. AMOUNT DUE FROM THE CONTROLLING SHAREHOLDER

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the controlling shareholder *(note (i))*	2,560	7,937	29,606

(i) The loan to the Director, Mr. Li Bin who is also a shareholder of the Target Company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Maximum amount outstanding during the year	2,560	7,937	29,606

The loan was unsecured, interest-free and repayable on demand.

18. BALANCES WITH RELATED PARTIES

		As at 31 December		
		2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a related party				
Liu Hong*	(ii)	—	472	232
Amounts due to related parties				
Shanghai Emphasis*	(i)	4,471	15,385	13,964
Shanghai Jianchu Medical Instrument Company Limited* ("Shanghai Jianchu")	(i)	—	—	259
Shanghai Zhekai Industrial Company Limited*	(ii)	170	—	—
		4,641	15,385	14,223

* The companies mentioned above were related parties of the Target Company whose ultimate controlling shareholder is Mr. Li Bin, and Liu Hong is a close family member of Mr. Li Bin.

Notes:

(i) These balances were trade in nature, unsecured, interest-free and repayable on demand.

(ii) These balances were non-trade in nature, unsecured, interest-free and repayable on demand.

The nature of the transactions with related parties is disclosed in note 27.

19. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	724	2,301	2,725
Denominated in RMB	724	2,301	2,725

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,777	1,097	971

An aging analysis of the outstanding trade payables as at the end of each of the Relevant Periods based on the invoice date is as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	1,777	1,097	971

The trade payables are non-interest-bearing and are normally settled within 90 days.

21. OTHER PAYABLES

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Tax payable	—	697	299
Other payables	833	3,623	6,630
	833	4,320	6,929

Other payables are non-interest-bearing and repayable on demand.

22. ISSUED CAPITAL

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	11,952	11,952	11,952
Paid-in capital	11,952	11,952	11,952

23. RESERVES

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information.

In accordance with the Company Law of the PRC, a company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory reserve fund until such reserve reaches 50% of its registered capital. The statutory reserve fund is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

24. CONTINGENT LIABILITIES

The Target Company is currently a defendant in a lawsuit brought by a party alleging that the Target Company breached the sales and purchase contract for the delay in shipment of products. The director, based on the advice from the Target Company's legal counsel, believe that the Target Company has a valid defense against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

25. OPERATING LEASE ARRANGEMENT

As lessee

The Target Company lease an office under an operating lease arrangement. The lease for the office was negotiated for terms ranging from one to five years. The Target Company has total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within a year	—	165	182
In the second to fifth years, inclusive	—	—	—
	—	165	182

26. COMMITMENTS

At the end of the reporting period, the Target Company had no any significant capital commitments.

27. RELATED PARTY TRANSACTIONS

Details of the Target Company's principal related parties are as follows:

Companies whose the ultimate controlling shareholder is Mr. Li Bin and an individual who is a close family member of Mr. Li Bin:

(1) Shanghai Emphasis
(2) Shanghai Jianchu
(3) Liu Hong

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Periods:

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Sales of products				
Shanghai Emphasis	(i)	63	—	—

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Purchases of products				
Shanghai Emphasis	(i)	8,239	41,882	104,738
Shanghai Jianchu	(i)	—	—	505
		8,239	41,882	105,243

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000
Rental fee				
Liu Hong	(i)	427	968	2,561

Note:

(i) The transactions were undertaken in accordance with the terms of the negotiated agreements and the prices were mutually agreed.

(b) Outstanding balances with related parties:

Details of the Target Company's balances with its related parties at the end of each of the Relevant Periods and the maximum outstanding balances due from the controlling shareholder during the Relevant Periods are disclosed in notes 18 and 17 to the Financial Information.

(c) The compensation of key management personnel were Nil for each of the Relevant Periods.

As the Target Company's employees have signed labour contracts with Shanghai Emphasis, the compensation of key management personnel during the Relevant Periods was undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial assets — loans and receivables			
Trade receivables	4,278	23,100	33,336
Financial assets included in prepayments, deposits and other receivables	6,429	7,029	—
Amount due from the controlling shareholder	2,560	7,937	29,606
Amount due from a related party	—	472	232
Cash and cash equivalents	724	2,301	2,725
	13,991	40,839	65,899

	As at 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities — financial liabilities at amortised cost			
Trade payables	1,777	1,097	971
Financial liabilities included in other payables	833	3,623	6,630
Amounts due to related parties	4,641	15,385	14,223
	7,251	20,105	21,824

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of cash and cash equivalents, trade receivables, an amount due from the controlling shareholder, amount due from a related party, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

At the end of each of the Relevant Periods, the Target Company had no material financial asset or liability measured at fair value.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts due to related parties and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Companies' operation. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments either for hedging or for trading purposes. The director reviews and agrees policies for managing each of the risks which are summarised below:

Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Target Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise cash and cash equivalents and other receivables, the Target Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of each of the Relevant Periods, the Target Company had certain concentrations of credit risk as 61% (2013: 65%, 2012: 87%) of the Target Company's trade receivables were due from major customers. The amounts due from major customers as at 31 December 2014 was RMB20,411,000 (31 December 2013: RMB14,977,000, 31 December 2012: RMB3,741,000).

Liquidity risk

The Target Company aims to maintain sufficient cash and credit lines to meet its liquidity requirement by obtaining its funding requirements from its ultimate shareholder. The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand	**Total**
	RMB'000	*RMB'000*
31 December 2012		
Trade payables	1,777	1,777
Other payables	833	833
Amounts due to related parties	4,641	4,641
	7,251	7,251

	On demand	Total
	RMB'000	*RMB'000*
31 December 2013		
Trade payables	1,097	1,097
Other payables	3,623	3,623
Amounts due to related parties	15,385	15,385
	20,105	20,105

	On demand	Total
	RMB'000	*RMB'000*
31 December 2014		
Trade payables	971	971
Other payables	6,630	6,630
Amounts due to related parties	14,223	14,223
	21,824	21,824

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

31. EVENT AFTER THE REPORTING PERIOD

On 9 April 2015, Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a wholly-owned subsidiary of Yestar International Holdings Co., Ltd. ("Yestar International") entered into a Share Transfer Agreement with Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, pursuant to which the Yestar Medical agreed to acquire 70% of the equity interests in the Company, Shanghai Chaolian Trading Company Limited, Shanghai Jianchu, Shanghai Emphasis and Shanghai Dingpei Industrial Company Limited respectively, at an aggregate consideration of RMB910 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON SHANGHAI HAOLE INDUSTRIAL

Business and financial review

The principal business of Shanghai Haole Industrial is the sales and leasing of medical equipment and the distribution of associated consumables business in the PRC Shanghai Haole Industrial was established on 1 June 2010. The profit generated by Shanghai Haole Industrial to the shareholders for the three years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods") amounted to approximately RMB0.4 million, RMB6.6 million and RMB19.2 million respectively. The increase in profit for the three years ended 31 December 2012, 2013 and 2014 was mainly contributed by the increase in revenue as a result of the increase in customer demand of Shanghai Haole Industrial's products.

For the year ended 31 December 2012 and 2013

Revenue

Shanghai Haole Industrial's revenue is mainly derived from the sales of reagents products for the year ended 31 December 2013. Revenue of Shanghai Haole Industrial for the year ended 31 December 2013 was approximately RMB60.9 million, representing an increase of approximately 271.6% over the revenue of approximately RMB16.4 million for the year ended 31 December 2012. The increase in revenue in 2013 was mainly resulted from the increasing in varity of products distributed.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Haole Industrial for the year ended 31 December 2013 were approximately RMB44.7 million, represented an increase of approximately 269.1% as compared to the cost of sales of the year ended 31 December 2012 of approximately RMB12.1 million. The increase in cost of sales for 2013 was mainly resulted from the increase in revenue.

Gross profit of the Shanghai Haole Industrial for the year ended 31 December 2013 was approximately RMB16.2 million which represented an increase of approximately 278.7% as compared to the prior year. The increase in gross profit for the year ended 31 December 2013 was in line with the increase in revenue of Shanghai Haole Industrial for the year ended 31 December 2013. Gross profit margin for the year ended 31 December 2013 was approximately 26.6% which remained comparable to the gross profit margin for the year ended 31 December 2012 of approximately 26.1%.

Selling and distribution costs

Selling and distribution costs mainly comprise of marketing expenses, transportation and fuel expenses. The selling and distribution costs for the year ended 31 December 2013 were approximately RMB5.4 million which represented an increase of approximately 299.4% as compared to prior year which amounted to approximately RMB1.3 million. The substantial increase was in-line with the increase in revenue.

Administrative expenses

Administrative expenses mainly comprise of rental expenses, office maintenance and amortization and depreciation. The administrative expenses of Shanghai Haole Industrial for the year ended 31 December 2013 was amounted to approximately RMB2.0 million representing an increase of approximately 37.1% as compared to the previous year. The substantial increase was mainly contributed by the increase in office rental expense as a result of the additional office rental in the second half of 2013.

Taxation

The applicable tax rate of Shanghai Haole Industrial in the PRC for the year ended 31 December 2013 was 25% (2012: 25%).

Profit for the year

The increase in net profit for the year ended 31 December 2013 by Shanghai Haole Industrial was principally due to the increase in the variety of products distributed to customers during the year.

For the year ended 31 December 2013 and 2014

Revenue

Shanghai Haole Industrial's revenue is mainly derived from the sales of reagents for the year ended 31 December 2014. Revenue of Shanghai Haole Industrial for the year ended 31 December 2014 was approximately RMB142.5 million representing an increase of approximately 134.0% as compared to the revenue of approximately RMB60.9 million for the year ended 31 December 2013. The increase in revenue in 2014 was mainly resulted from the introduction of new varieties of reagents from Shanghai Emphasis Investment which boosted sales significantly.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Haole Industrial for the year ended 31 December 2014 were approximately RMB104.2 million, representing an increase of approximately 133.1% as compared to the cost of sales of the year ended 31 December 2013 of approximately RMB44.7 million. The increase in cost of sales for 2014 was in-line with the increase in revenue during the year.

Gross profit of the Shanghai Haole Industrial for the year ended 31 December 2014 was approximately RMB38.3 million which represented an increase of approximately 136.3% as compared to the previous year. The increase in gross profit for the year ended 31 December 2014 was in line with the increase in revenue of Shanghai Haole Industrial for the year ended 31 December 2014. Gross profit margin for the year ended 31 December 2014 was approximately 26.9%, representing a slight improvement as compared to the gross profit margin for the year ended 31 December 2013 of approximately 26.6%.

Selling and distribution costs

Selling and distribution costs mainly comprise of marketing fees, transportation and fuel expenses. The selling and distribution costs for the year ended 31 December 2014 were approximately RMB7.2 million which represented an increase of approximately 35.2% as compared to prior year of approximately RMB5.4 million. The increase was resulted from the increase in consultancy fee and marketing fees as well as transportation and fuel expenses as a result of the business expansion.

Administrative expenses

Administrative expenses mainly comprise of rental expenses, office maintenance, and amortization and depreciation. The administrative expenses of Shanghai Haole Industrial for the year ended 31 December 2014 was amounted to approximately RMB5.5 million representing an increase of approximately 177% as compared to prior year. The increase was mainly contributed by the full year effect of the rental of additional office from the second half of 2013 to the year ended 31 December 2014 and with the expansion of business operation, office expense increased accordingly.

Taxation

The applicable tax rate of Shanghai Haole Industrial in the PRC for the year ended 31 December 2014 was 25% (2013: 25%).

Profit for the year

As a result of the above, the net profit for the year ended 31 December 2014 increased substantially by approximately 188.9% as compared to the year ended 31 December 2013.

Liquidity and financial resources

As at 31 December 2012, 2013 and 2014, the net current assets of Shanghai Haole Industrial were approximately RMB11.4 million, RMB18.1 million, and RMB36.0 million, respectively. Shanghai Haole Industrial had current assets of approximately

RMB19.1 million, RMB41.5 million, and RMB66.1 million, respectively, as at 31 December 2012, 2013 and 2014, which mainly consist of amount due from controlling shareholder and related parties and trade receivables. Shanghai Haole Industrial had non-current assets of property, plant and equipment amounted to approximately RMB1.3 million, RMB1.3 million and RMB2.5 million as at 31 December 2012, 2013 and 2014 respectively. Shanghai Haole Industrial had no non-current liabilities as at 31 December 2012, 2013 and 2014 respectively. As at 31 December 2012, 2013 and 2014, Shanghai Haole Industrial has no interest-bearing bank borrowings and as at the Latest Practicable Date, no negotiation is being conducted nor there has been any loan document signed with respect to raising funds by Shanghai Haole Industrial from financial institutions.

As at 31 December 2014, Shanghai Haole Industrial recorded a substantial increase in amount due from controlling shareholders from approximately RMB7.9 million as at 31 December 2013 to approximately RMB29.6 million as at 31 December 2014. The increase in amount due from the controlling shareholders was mainly due to the increase in loan amount provided by Shanghai Haole Industrial to Mr. Li Bin, the controlling shareholder of Shanghai Haole Industrial. The loan was unsecured, interest-free and repayable on demand.

Financing

Total bank borrowing of Shanghai Haole Industrial, as at 31 December 2012, 2013 2014, were approximately nil, nil and nil.

Capital structure

The capital structure of Shanghai Haole Industrial was composed of equity only; Shanghai Haole Industrial financed its operation from capital contributions by its equity holders.

As at 31 December 2014, net assets of Shanghai Haole Industrial were approximately RMB38.5 million. Shanghai Haole Industrial recorded an increasing trend in net assets for the three years ended 31 December 2012, 2013 and 2014. The increase in net assets value was mainly attributable to the net effect of the profit contribution during the year.

Capital expenditure

Shanghai Haole Industrial invested approximately RMB1.0 million, RMB0.3 million and RMB2.0 million in capital expenditure for the three years ended 31 December 2012, 2013 and 2014 respectively for the acquisition of motor vehicle and office properties.

Gearing ratio

The gearing ratio of Shanghai Haole Industrial as at 31 December 2012, 2013 and 2014, which was calculated on the basis of payables incurred not in the ordinary course of business (excluding amount due to a shareholder and related companies) divided by total equity and multiplied by 100%, was nil, nil and nil.

Significant investment, acquisition or disposal

There was no significant investment held by the Shanghai Haole Industrial during the Relevant Periods. Shanghai Haole Industrial had no material acquisition or disposal during the Relevant Periods.

Analysis of segment information

Shanghai Haole Industrial operated in only one business segment, being the engagement in the sales and leasing of medical equipment and the distribution of associated consumables in the PRC during the Relevant Periods. Accordingly, no further disclosures by segment information were presented.

Employee information

As at 31 December 2012, 2013 and 2014, Shanghai Haole Industrial had nil, nil, and nil employees and no remuneration expenses were incurred during the three years ended 31 December 2012, 2013 and 2014. Personnel working in Shanghai Haole Industrial entered into labour contracts with Shanghai Emphasis, thus no staff cost was incurred by Shanghai Haole Industrial for the three years ended 31 December 2012, 2013 and 2014.

Future plans for material investments or capital assets

As at 31 December 2014, Shanghai Haole Industrial had no plans for material investments or capital assets.

Interest rate exposure

Shanghai Haole Industrial had no exposure to the risk of changes in market interest rates.

Foreign currency risk

Shanghai Haole Industrial has no foreign currency risk because it conducted in the PRC and all the transactions are denominated in Renminbi ("RMB"). Shanghai Haole Industrial currently does not have a foreign currency hedging policy.

Contingent liabilities

Shanghai Haole Industrial is currently a defendant in a lawsuit brought by a party alleging the Shanghai Haole Industrial breached the sales and purchase contract for the delay in shipment of products. The director, based on the advice from the Shanghai Haole Industrial's legal counsel, believe that Shanghai Haole Industrial has a valid defense against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

As at 31 December 2012, 2013 and 2014, save as disclosed above, Shanghai Haole Industrial had no other significant contingent liabilities.

1. ACCOUNTANTS' REPORT OF SHANGHAI DINGPEI INDUSTRIAL

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 June 2015

The Directors
Yestar International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of the Shanghai Dingpei Industrial Company Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the period from 4 April 2014 to 31 December 2014 (the "Relevant Period"), and the statements of financial position of the Target Company as at 31 December 2014, together with the notes thereto, (the "Financial Information"), prepared on the basis of preparation set out in note 2 of Section II below, for inclusion in the circular of Yestar International Holdings Company Limited (the "Company") dated 30 June 2015 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 4 April 2014.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the period from 4 April 2014 to 31 December 2014 were audited by Ernst & Young Hua Ming in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements of the Target Company with no adjustment made thereon.

Director's responsibility

The director of the Target Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the director of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 December 2014 and of the results and cash flows of the Target Company for the Relevant Period.

I. FINANCIAL INFORMATION

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Period from 4 April 2014 (establishment date) to 31 December 2014 RMB'000
REVENUE	7	16,735
Cost of sales		(11,534)
Gross profit		5,201
Other income and gains	7	1
Selling and distribution costs		(1,102)
Administrative expenses		(38)
Other expenses		(1)
PROFIT BEFORE TAX	8	4,061
Income tax expense	11	(1,015)
PROFIT FOR THE PERIOD		3,046
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,046
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
The shareholders		3,046
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
The shareholders		3,046

Statement of Financial Position

	Notes	As at 31 December 2014 RMB'000
CURRENT ASSETS		
Trade receivables	13	11,820
Other receivables	14	1
Amount due from the controlling shareholder	15	2,057
Cash and cash equivalents	17	723
		14,601
CURRENT LIABILITIES		
Trade payables	18	1,553
Other payables	19	1,545
Amounts due to related parties	16	7,442
Tax payable		1,015
		11,555
NET CURRENT ASSETS		3,046
TOTAL ASSETS LESS CURRENT LIABILITIES		3,046
Net assets		3,046
EQUITY		
Equity attributable to the shareholders		
Issued capital	20	—
Reserves	21	3,046
Total equity		3,046

Statement of Changes in Equity

	Attributable to owners of the shareholders			
	Issued capital	**Statutory reserve***	**Retained earnings***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 4 April 2014	—	—	—	—
Total comprehensive income for the period	—	—	3,046	3,046
Capital contribution	—	—	—	—
At 31 December 2014	—	—	3,046	3,046

* These reserve accounts comprised the reserve of RMB3,046,000 as at 31 December 2014 in the statement of financial position.

Statement of Cash Flows

	Period from 4 April 2014 to 31 December 2014
	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	4,061
Adjustment for:	
Increase in trade receivables	(11,820)
Increase in other receivables	(1)
Increase in amounts due to related parties	7,442
Increase in trade payables	1,553
Increase in other payables	1,545
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,780
CASH FLOWS FROM ON INVESTING ACTIVITY	
Increase in an amount due from the controlling shareholder	(2,057)
NET CASH FLOWS USED IN INVESTING ACTIVITY	(2,057)
NET INCREASE IN CASH AND CASH EQUIVALENTS	723
Cash and cash equivalents at beginning of period	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	723

II. NOTES TO FINANCIAL INFORMATION

1. INFORMATION OF THE TARGET COMPANY

Shanghai Dingpei Industrial Company Limited (the "Target Company") was established on 4 April 2014 with limited liability in the PRC. The registered office of the Target Company is located at Songjiang district, Shanghai. The registered capital was RMB18.88 million, and owned as to 99% by Mr. Li Bin, and 1% by Ms. Liu Hong. The business include wholesale and retail of Class 1 medical devices and instruments, computer hardware and software and auxiliary equipment (except specific safety products for computer information systems), office supplies, communications devices, auto parts, hardware, labour protection supplies, building and decoration materials (except dangerous goods); provision of consulting services for technology development in the field of medical devices and technology; investment consulting; leasing of self-owned equipment (not including finance leasing); Class 2 medical devices (including diagnostic reagents) and Class 3 clinical laboratory analytical instruments (including in vitro diagnostic medical devices).

2. BASIS OF PREPARATION

The Financial Information had been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 4 April 2014, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information had been prepared under the historical cost convention and is presented in Renminbi ("RMB"), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IFRS 10 IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

[5] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these new and revised IFRSs are expected to have a significant impact on the Target Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the profit or loss in the period in which it arises, in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

 i) has control or joint control over the Target Company;

 ii) has significant influence over the Target Company; or

 iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

 or

(b) the party is an entity where any of the following conditions applies:

 i) the entity and the Target Company are members of the same Target Company;

 ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

iii) the entity and the Target Company are joint ventures of the same third party;

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

v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Target Company's financial assets include cash and cash equivalents, trade and other receivables, and amounts due from the controlling shareholder.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in the statements of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Target Company of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or had entered into a pass-through arrangement, it evaluates if and to what extent it had retained the risk and rewards of ownership of the asset. When it had neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortized cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, other payables, and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Target Company's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(a) Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal sell and its value in use. The calculation of the fair value less costs of disposal sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Target Company will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, the differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed.

6. OPERATING SEGMENT INFORMATION

The Target Company currently operates in one business segment, namely, the distribution of medical equipment and associated consumables in the PRC. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Target Company does not have separate reportable segments.

Information about major customers

During the period from 4 April 2014 to 31 December 2014, the Target Company had three major customers from whom the revenue raised by selling medical equipments and associated consumables of RMB13,115,000 accounted for about 78% of the total revenue.

Details of the concentration of credit risk arising from the customers are set out in note 26 to the financial statements.

Geographical information

Since the Target Company solely operates business in the PRC and all of the non-current assets of the Target Company are located in the PRC, no geographical segment information in accordance with IFRS 8 Operating Segments is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Company's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Period from 4 April 2014 (establishment date) to 31 December 2014
	RMB'000
Revenue	
Sales of goods	16,735
Other income and gains	
Interest income	1

8. PROFIT BEFORE TAX

The Target Company's profits for the Relevant Period were arrived at after charging:

	Period from 4 April 2014 (establishment date) to 31 December 2014
	RMB'000
Cost of inventories sold	11,534
Employee benefit expense (excluding director's remuneration as set out in note 9):	
Wages and salaries	—
Social security contributions	—
Auditors' remuneration*	—

As the Target Company's employees were signed labor contract with Shanghai Emphasis Investment Management Consulting Company Limited ("Shanghai Emphasis"), the staff cost during the Relevant Period were undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

* As the Target Company neither a listed company nor the state-owned company, there is no requirement that need to be audited every year.

9. DIRECTOR'S REMUNERATION

Director's remuneration was Nil during the Relevant Period.

The sole director of the Target Company was Mr. Jin Jiancheng who agreed to waive his remuneration during the Relevant Period.

The Target Company appointed Mr. Li Bin as a chief executive.

As Mr. Li Bin signed a labour contract with Shanghai Emphasis, its remuneration during the Relevant Period was undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

10. FIVE HIGHEST PAID EMPLOYEES

The remuneration of the five highest paid employees were Nil for each of the Relevant Period.

As the Target Company's employees have signed labour contracts with Shanghai Emphasis, the five highest paid employees' remuneration during the Relevant Period were undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

11. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC, the profits of the Target Company were subject to income tax at the rate of 25% during the Relevant Period.

The major component of income tax expense is as follows:

	Period from 4 April 2014 (establishment date) to 31 December 2014 *RMB'000*
Current tax	1,015
Total tax charge for the period	1,015

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Period from 4 April 2014 (establishment date) to 31 December 2014 *RMB'000*
Profit before tax	4,061
Tax at the statutory tax rate	1,015
Expenses not deductible for tax	—
Tax charge at the Target Company's effective rate	1,015

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. TRADE RECEIVABLES

	As at 31 December 2014
	RMB'000
Trade receivables	11,820

The Target Company grants different credit periods to customers. Certain customers are required to make partial payment before or upon delivery. The Target Company seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Period, based on the invoice date and net of provisions, is as follows:

	As at 31 December 2014
	RMB'000
Within 90 days	11,699
Between 90 to 180 days	121
	11,820

None of the receivables is either past due or impaired. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

14. OTHER RECEIVABLES

	As at 31 December 2014
	RMB'000
Other receivables	1

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. AMOUNT DUE FROM THE CONTROLLING SHAREHOLDER

	As at 31 December 2014
	RMB'000
Amount due from the controlling shareholder *(note (i))*	2,057

(i) The loan to the Director, Mr. Li Bin who is also a shareholder of the Target Company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	As at 31 December 2014
	RMB'000
Maximum amount outstanding during the year	2,057

The loan was unsecured, interest-free and repayable on demand.

16. BALANCES WITH RELATED PARTIES

		As at 31 December 2014
		RMB'000
Amounts due to related parties		
Shanghai Emphasis	(i)	7,329
Shanghai Jianchu Medical Instrument Company Limited* ("Shanghai Jianchu")	(i)	113
		7,442

* The companies mentioned above were related parties of the Target Company whose ultimate controlling shareholder is Mr. Li Bin.

Note:

(i) These balances were trade in nature, unsecured, interest-free and repayable on demand.

The nature of the transactions with related parties is disclosed in note 23.

17. CASH AND CASH EQUIVALENTS

	As at 31 December 2014
	RMB'000
Cash and cash equivalent	723
Denominated in RMB	723

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

18. TRADE PAYABLES

	As at 31 December 2014
	RMB'000
Trade payables	1,553

An aging analysis of the outstanding trade payables as at the end of each of the Relevant Period based on the invoice date is as follows:

	As at 31 December 2014
	RMB'000
Within 90 days	1,553

The trade payables are non-interest-bearing and are normally settled within 90 days.

19. OTHER PAYABLES

	As at 31 December 2014
	RMB'000
Tax payable	545
Other payables	1,000
	1,545

Other payables are non-interest-bearing and repayable on demand.

20. ISSUED CAPITAL

	As at 31 December 2014
	RMB'000
Registered capital	18,880
Paid-in capital	—

21. RESERVES

The amounts of the Target Company's reserves and the movements therein for the Relevant Period are presented in the statements of changes in equity of the Financial Information.

In accordance with the Company Law of the PRC, a company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory reserve fund until such reserve reaches 50% of its registered capital. The statutory reserve fund is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

22. COMMITMENTS

At the end of the reporting period, the Target Company had no any significant capital commitments.

23. RELATED PARTY TRANSACTIONS

Details of the Target Company's principal related parties are as follows:

Companies whose ultimate controlling shareholder is Mr. Li Bin:

(1) Shanghai Emphasis
(2) Shanghai Jianchu

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Period:

	Note	Period from 4 April 2014 to 31 December 2014 RMB'000
Purchases of products		
Shanghai Emphasis	(i)	10,026
Shanghai Jianchu	(i)	96
		10,122

(i) The transactions were undertaken in accordance with the terms of the negotiated agreements and the prices were mutually agreed.

(b) Outstanding balances with related parties:

Details of the Target Company's balances with its related parties at the end of each of the Relevant Period and the maximum outstanding balances due from the controlling shareholder during the Relevant Period are disclosed in notes 16 and 15 to the Financial Information.

(c) The compensation of key management personnel were Nil for each of the Relevant Period.

As the Target Company's employees have signed labour contracts with Shanghai Emphasis, the compensation of key management personnel during the Relevant Period was undertaken by Shanghai Emphasis, and the Target Company did not need to undertake any additional cost.

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Period are as follows:

	As at 31 December 2014 *RMB'000*
Financial assets	
— loans and receivables	
Trade receivables	11,820
Other receivables	1
Amount due from the controlling shareholder	2,057
Cash and cash equivalents	723
	14,601

	As at 31 December 2014 *RMB'000*
Financial liabilities	
— financial liabilities at amortised cost	
Trade payables	1,553
Other payables	1,000
Amounts due to related parties	7,442
	9,995

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of cash and cash equivalents, trade receivables, trade payables, other receivables, other payables, an amount due from the controlling shareholder and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

At the end of each of the Relevant Period, the Target Company had no material financial asset or liability measured at fair value.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts due to related parties and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Companies' operation. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments either for hedging or for trading purposes. The director reviews and agrees policies for managing each of the risks which are summarised below:

Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Target Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise cash and cash equivalents and other receivables, the Target Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of the Relevant Period, the Target Company had certain concentrations of credit risk as 76% of the Target Company's trade receivables which were due from major customers. The amounts due from major customers as at 31 December 2014 was RMB9,011,000.

Liquidity risk

The Target Company aims to maintain sufficient cash and credit lines to meet its liquidity requirement by obtaining its funding requirements from its ultimate shareholder. The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

The maturity profile of the Target Company's financial liabilities as at 31 December 2014, based on the contractual undiscounted payments, is as follows:

	On demand	Total
	RMB'000	*RMB'000*
31 December 2014		
Trade payables	1,553	1,553
Other payables	1,000	1,000
Amounts due to fellow companies	7,442	7,442
	9,995	9,995

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Period.

27. EVENT AFTER THE REPORTING PERIOD

On 9 April 2015, Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a wholly-owned subsidiary of Yestar International Holdings Co., Ltd. ("Yestar International") entered into a Share Transfer Agreement with Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, pursuant to which the Yestar Medical agreed to acquire 70% of the equity interests in the Company, Shanghai Emphasis, Shanghai Jianchu, Shanghai Chaolian Trading Company Limited and Shanghai Haole Industrial Company Limited respectively, at an aggregate consideration of RMB910 million.

On 27 May 2015, the registered capital of the Target Company was reduced from RMB18.88 million to RMB0.5 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON SHANGHAI DINGPEI INDUSTRIAL

Business and financial review

The principal business of Shanghai Dingpei Industrial is the sales and leasing of medical equipment and the distribution of associated consumables business in the PRC Shanghai Dingpei Industrial was established on 4 April 2014. The profit generated by Shanghai Dingpei Industrial for the period from 4 April to 31 December 2014 (the "Relevant Period") amounted to approximately RMB3.0 million. The profit for the Relevant Period was mainly contributed by the sales of reagents products by Shanghai Dingpei Industrial.

For the period from 4 April to 31 December 2014

Revenue

Shanghai Dingpei Industrial's revenue is mainly derived from the sales of reagents for the Relevant Period. Revenue of Shanghai Dingpei Industrial for the Relevant Period was approximately RMB16.7 million.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of Shanghai Dingpei Industrial for the Relevant Period was approximately RMB11.5 million.

Gross profit of Shanghai Dingpei Industrial for the Relevant Period was approximately RMB5.2 million which represents a gross profit margin for the Relevant Period of approximately 31.1%.

Selling and distribution costs

Selling and distribution costs mainly comprised of marketing expenses, transportation and fuel expenses. The selling and distribution costs for the Relevant Period was approximately RMB1.1 million.

Administrative expenses

Administrative expenses mainly comprised of office expense. The administrative expenses of Shanghai Dingpei Industrial for the Relevant Period amounted to approximately RMB38,000.

Taxation

The applicable tax rate of Shanghai Dingpei Industrial in the PRC for the Relevant Period was 25%.

Profit for the year

The net profit for the Relevant Period of Shanghai Dingpei Industrial was principally contributed by sales of reagents products by Shanghai Dingpei Industrial as explained above.

Liquidity and financial resources

As at 31 December 2014, the net current assets of Shanghai Dingpei Industrial was approximately RMB3.0 million. Shanghai Dingpei Industrial had current asset of approximately RMB14.6 million as at 31 December 2014, which mainly consist of amount due from controlling shareholder and trade receivables. Shanghai Dingpei Industrial had no non-current assets and non-current liabilities as at 31 December 2014. As at 31 December 2014, Shanghai Dingpei Industrial has no interest-bearing bank borrowings and as at the Latest Practicable Date, no negotiation is being conducted nor there has been any loan document signed with respect to raising funds by Shanghai Dingpei Industrial from financial institutions.

Financing

No bank borrowing was recorded for Shanghai Dingpei Industrial as at 31 December 2014.

Capital structure

The capital structure of Shanghai Dingpei Industrial was composed of equity only; Shanghai Dingpei Industrial financed its operation from capital contributions by its equity holders.

As at 31 December 2014, net assets value of Shanghai Dingpei Industrial was approximately RMB3.0 million.

Capital expenditure

Shanghai Dingpei Industrial did not invest in capital expenditure for the Relevant Period.

Gearing ratio

The gearing ratio of Shanghai Dingpei Industrial as at 31 December 2014, which was calculated on the basis of payables incurred not in the ordinary course of business (excluding amount due to a shareholder and related companies) divided by total equity and multiplied by 100%, was nil.

Significant investment, acquisition or disposal

There was no significant investment held by the Shanghai Dingpei Industrial during the Relevant Period. Shanghai Dingpei Industrial had no material acquisition or disposal during the Relevant Period.

Analysis of segment information

Shanghai Dingpei Industrial operated in only one business segment, being the engagement in the sales and leasing of medical equipment and the distribution of associated consumables business in the PRC during the Relevant Period. Accordingly, no further disclosures by segment information were presented.

Employee information

As at 31 December 2014, Shanghai Dingpei Industrial had no employees and no remuneration expenses was incurred for the Relevant Period, as personnel working in Shanghai Dingpei Industrial entered into labour contracts with Shanghai Emphasis, thus no staff cost was incurred by Shanghai Dingpei Industrial for the Relevant Period.

Future plans for material investments or capital assets

As at 31 December 2014, Shanghai Dingpei Industrial had no plans for material investments or capital assets.

Interest rate exposure

Shanghai Dingpei Industrial had no exposure to the risk of changes in market interest rates.

Foreign currency risk

Shanghai Dingpei Industrial has no foreign currency risk because it conducted in the PRC and all the transactions are denominated in Renminbi ("RMB"). Shanghai Dingpei Industrial currently does not have a foreign currency hedging policy.

Contingent liabilities

As at 31 December 2014, Shanghai Dingpei Industrial had no significant contingent liabilities.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of the Enlarged Group (being the Group together with the Target Companies) as at 31 December 2014 has been prepared based on:

(a) the unaudited consolidated financial statements of the Group as at 31 December 2014 as published in the Group's 2014 report;

(b) the statement of financial position of the Target Companies at 31 December 2014 which has been extracted from Appendices II to VI to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 31 December 2014.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the accountants' reports on the Target Companies set out in Appendices II to VI to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2014 or at any future date due to its hypothetical nature.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 31 December 2014	The target companies as at 31 December 2014													
	Yestar International Holdings Company Limited	Shanghai Emphasis Investment	Shanghai Jianchu Medical	Shanghai Haole Industrial	Shanghai Dingpei Industrial	Shanghai Chaolian Trading	Consolidated total	unaudited pro forma adjustments						Unaudited pro forma enlarged Group as at 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 1	*note 2*	*note 2*	*note 2*	*note 2*	*note 2*		*note 3*	*note 4*	*note 5*	*note 6*	*note 7*	*note 8*	
NON CURRENT ASSETS														
Property, plant and equipment	104,009	6,526	10,443	2,549	—	72	123,599		(9,947)					113,652
Prepaid land lease payments	15,279	—	—	—	—	—	15,279							15,279
Intangible assets	249,718	—	—	—	—	—	249,718							249,718
Goodwill	87,315	—	—	—	—	—	87,315					747,278		834,593
Investments in subsidiaries	—	—	—	—	—	—	—			910,000		(910,000)		—
Deferred tax assets	7,477	—	—	—	—	—	7,477							7,477
Total non-current assets	463,798	6,526	10,443	2,549	—	72	483,388							1,220,719
CURRENT ASSETS														
Inventories	327,201	56,634	—	20	—	—	383,855							383,855
Trade and bills receivables	105,197	113,093	25,846	33,336	11,820	28,716	318,008							318,008
Deposits and other receivables	22,899	1,179	182	154	1	692	25,107							25,107
Amounts due from non-controlling interests	—	59,650	31,372	29,606	2,057	11,708	134,393							134,393
Amounts due from related parties	—	72,832	5,547	232	—	—	78,611	(65,095)						13,516
Pledged deposits	4,100	—	—	—	—	—	4,100							4,100
Cash and cash equivalents	194,724	3,349	968	2,725	723	1,140	203,629			(910,000)	(2,058)		910,000	201,571
Total current assets	654,121	306,737	63,915	66,073	14,601	42,256	1,147,703							1,080,550
CURRENT LIABILITIES														
Interest-bearing bank and other borrowings	101,713	—	—	—	—	—	101,713						100,000	201,713
Trade and bills payables	282,778	83,332	3,855	971	1,553	—	372,489							372,489
Other payables and accruals	39,815	18,478	3,860	6,929	1,545	4,991	75,618							75,618
Tax payable	29,409	52,682	8,505	7,967	1,015	3,194	102,772							102,772
Amounts due to related parties	—	6,792	19,692	14,223	7,442	23,739	71,888	(65,095)						6,793
Amounts due to non-controlling interests	98,000	—	—	—	—	—	98,000							98,000
Total current liabilities	551,715	161,284	35,912	30,090	11,555	31,924	822,480							857,385
NON-CURRENT LIABILITIES														
Interest-bearing bank and other borrowings	4,500	—	—	—	—	—	4,500						200,000	204,500
Other long term payables	164,277	—	—	—	—	—	164,277							164,277
Deferred tax liabilities	72,370	—	—	—	—	—	72,370							72,370
Total non-current liabilities	241,147	—	—	—	—	—	241,147							441,147
Net assets	325,057	151,979	38,446	38,532	3,046	10,404	567,464							1,002,737
EQUITY														
Equity attributable to owners of the shareholders														
Issued capital	37,044	29,880	8,880	11,952	—	500	88,256					(51,212)	610,000	647,044
Reserves	228,165	122,099	29,566	26,580	3,046	9,904	419,360		(9,947)		(2,058)	(181,248)		226,107
Proposed final dividend	50,450	—	—	—	—	—	50,450							50,450
	315,659	151,979	38,446	38,532	3,046	10,404	558,066							923,601
Non-controlling interests	9,398	—	—	—	—	—	9,398					69,738		79,136
Total equity	325,057	151,979	38,446	38,532	3,046	10,404	567,464							1,002,737

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The balances were extracted from the report for the year ended 31 December 2014 of the Group.

(2) The balances were extracted from Appendices II to VI to this circular.

(3) The adjustment represents eliminations of balances between Target Companies.

(4) On 8 April 2015, the shareholders of Shanghai Jianchu Medical Instrument Company Limited ("Shanghai Jianchu Medical") resolved to distribute a final dividend of RMB9,947 thousand to its shareholder Mr. Li Bin out of the retained profits of Shanghai Jianchu Medical as at 31 December 2014. Mr. Li Bin would undertake all the related taxes to be withheld to the PRC authorities. On 8 April 2015, Shanghai Jianchu Medical entered into the Property Rights Transfer Agreement with Mr. Li Bin, pursuant to which the Shanghai Jianchu Medical agree to transfer the property rights to its shareholder Mr. Li Bin at a net value of RMB9,947 thousand as at December 31 2014. Mr. Li Bin agreed to pay the transfer price by the dividend distributed to him under the resolution of shareholder meeting held on 8 April 2015. Pursuant to the agreement, Mr. Li Bin would undertake all the related taxes and fees to be withheld or paid to the PRC authorities.

(5) On 9 April 2015, the Purchaser, the Vendors and the Target Companies entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell, the Sale Capitals (representing 70% of the entire equity interests in each of the Target Companies) at an aggregate consideration of RMB910 million in cash by way of internal cash resources, available banking facilities and/or possible equity fund raised. As part of the acquisition agreement, the property rights mentioned in note 4 is not included in the aggregate consideration.

Parties to the Acquisition Agreement:

(i) Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao, Ms. Yu Liping, Ms. Liu Hong, Mr. Li Changgui and Mr. Li Changkuan, as the Vendors;

(ii) Yestar Medical, a wholly-owned subsidiary of the Company, as the Purchaser;

(iii) Shanghai Emphasis Investment, which is legally owned as to 28%, 1%, 46% and 25% by Mr. Li Bin, Ms. Liu Weiyue, Mr. Jiang Chao and Mr. Li Changgui respectively and beneficially owned as to 99% by Mr. Li Bin and 1% by Ms. Liu Weiyue before the completion;

(iv) Shanghai Jianchu Medical, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Mr. Li Changkuan respectively before the completion;

(v) Shanghai Chaolian Trading, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Ms. Yu Liping respectively before the completion;

(vi) Shanghai Haole Industrial, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Ms. Liu Weiyue respectively before the completion; and

(vii) Shanghai Dingpei Industrial, which is legally and beneficially owned as to 99% and 1% by Mr. Li Bin and Ms. Liu Hong respectively before the completion.

The pro forma adjustment represents the aggregate cash consideration amounting to RMB910 million for the acquisition of the Target Companies. All conditions precedent set out in the Share Transfer Agreement are assumed to have been fully satisfied.

(6) For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the total transaction costs of legal, accountancy and other professional services to the Acquisition are estimated to be RMB2.058 million.

(7) For the purpose of preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the goodwill arising from the Enlarged Group is analyzed as follows:

	As at 31 December 2014
	RMB'000
The consideration of the Acquisition	910,000
Carrying amount of the net assets	242,407
unaudited pro forma adjustment *(Note)*	(9,947)
Adjusted carrying amount of the net assets	232,460
30% of non-controlling interests in the Target Companies	(69,738)
Identifiable net assets acquired	162,722
Goodwill arising from the Acquisition of the Target Companies *(Note)*	747,278

Note: For illustrative purposes, the directors of the Company had assumed the carrying values of the identifiable assets and liabilities of the Target Companies approximated to their fair values. The Group has elected to measure the non-controlling interests in the Target Group at the non-controlling interests' proportionate share of the Target Group's identifiable net assets. The goodwill is recognised as the amount reached by the consideration of the Acquisition minus identifiable net assets acquired at 31 December 2014 and final dividend distributed by Shanghai Jianchu Medical on 8 April 2015 for the purpose of the illustration of this Unaudited Pro Forma Financial Information.

The Group prepared this Unaudited Pro Forma Financial Information in accordance with IFRS 3 and assumed that the net carrying amount of the identifiable assets and liabilities of the Target Companies at 31 December 2014 approximated the fair value of the Target Companies. The Group has elected to measure the non-controlling interests in the Target Companies at the non-controlling interests' proportionate share of the Target Companies' identifiable net assets. According to IFRS 3, it suggests that, at the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other IFRSs subsequently.

IAS 38 "Intangible Assets" requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefit arising from other assets acquired in a business combination that is not individually identified and separately recognised. Any intangible item acquired in a business combination was recognised as an asset separately from goodwill when it was identifiable and could be measured reliably. If the amount cannot be recognized as an intangible asset, it forms part of the amount recognised as goodwill at the acquisition date. For the purpose of the Unaudited Pro Forma Financial Information, the management has assumed that there is no identifiable intangible asset.

With this assumption, the Acquisition gives rise to goodwill of RMB747 million which is measured at cost at initial recognition and would be subsequently tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group's accounting policies for goodwill are in accordance with the applicable accounting standards. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group. The Group will adopt such accounting policies for goodwill, save for compliance to any new or revised IFRSs that would be issued by the IAASB, and assess the impairment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group accordingly. The Directors consider that the Group's accounting treatment and principal assumptions used to assess the impairment of such goodwill will be the same as those applied to other acquisitions of similar nature. To the best knowledge of the Directors, the Group's independent auditors will conduct the audit and perform the impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group in accordance with the International Standards on Auditing issued by the IAASB.

For the purpose of the Unaudited Pro Forma Financial Information, the Company has assessed if there is any impairment loss on the goodwill arising from the proposed acquisition of the Target Companies in accordance with the Hong Kong Accounting Standard 36 "Impairment of Assets" which is consistent with the Company's accounting policy. Although the impairment assessment will be carried out in the accounting periods in the future, in view of the date of the

Circular, the directors of the Company are of the view that, after performing the impairment assessment, there was no impairment indication of the goodwill arising from the proposed acquisition of the Target Companies as set out in the Unaudited Pro Forma Financial Information.

Upon completion of the Proposed Acquisition, the actual goodwill and intangible assets, if any, of the Enlarged Group, for accounting purpose, will need to be recalculated based on the fair values of the net identifiable assets and liabilities of the Target Companies at the date of Completion. The actual financial effects are expected to be different from the amounts presented above.

(8) On 20 May 2015, the Group obtained RMB300 million loan facilities to finance the Acquisition and the Group shall repay all the loans in three years. The Directors assumed that total consideration of RMB910 million will be provided by bank loan of RMB300 million, and the rest will be provided by the private placement of RMB610 million, but the actual financing amounts will depend on the Enlarged Group's cash flow status during the Acquisition. The actual bank loan and private placement amount provided for the Acquisition is expected to be different from the amount presented above.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2014

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
ey.com

30 June 2015

To the Directors of Yestar International Holdings Company Limited

We have completed our assurance engagement to report on compilation of the pro forma financial information of Yestar International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to the "Group"), Shanghai Emphasis Investment Management Consulting Company Limited, Shanghai Jianchu Medical Instrument Company Limited, Shanghai Chaolian Trading Company Limited, Shanghai Haole Industrial Company Limited, Shanghai Dingpei Industrial Company Limited (hereinafter referred to as the "Target Companies") (the Group together with the Target Companies are collectively referred to as the "Enlarged Group"), by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at 31 December 2014, and related notes as set out in Appendix VII to the circular dated 30 June 2015 (the "Circular") issued by the Company (the "Pro Forma Financial Information") in connection with the acquisition (the "Acquisition") of 70% equity interests in the Target Companies by the Company. The applicable criteria of the basis on which the Directors have compiled the Pro Forma Financial Information are set out in Section A of Appendix VII to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2014 as if the Acquisition had taken place at 31 December 2014. As part of this process, information about the Group's financial positions has been extracted by the Directors from the Company's published audit report for the year 2014, and the information about the Target Companies' accountants' reports has been extracted by the Directors from the Target Companies' financial statements for the years ended 31 December 2012, 2013 and 2014 which have been included in Appendices II to VI to the Circular.

Directors' responsibility for the Pro Forma Financial Information

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

Reporting Accountant's responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by HKICPA.

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

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

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

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

- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

I. KEY UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET COMPANIES

Set out below is the unaudited combined financial performance of the Target Companies for the three years ended 31 December 2014:

	For the year ended 31 December		
	2012	**2013**	**2014**
	RMB'million	*RMB'million*	*RMB'million*
Revenue	363.3	543.2	634.7
Profit before taxation	77.3	112.4	130.5
Profit after taxation	57.6	83.5	97.2

The above unaudited combined financial performance figures have eliminated all transaction entered into among the Target Companies, including the inter-company sales.

Set out below is the unaudited inter-company sales information of the Target Companies for the three years ended 31 December 2014:

	For the year ended 31 December 2012	**For the year ended 31 December 2013**	**For the year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
Shanghai Emphasis Investment sales to: *(Note 1)*			
Shanghai Haole Industrial	8,239	41,882	104,738
Shanghai Chaolian Trading	—	—	50,916
Shanghai Jianchu Medical	28,790	24,765	30,109
Shanghai Dingpei Industrial	—	—	10,026
Shanghai Jianchu Medical sales to: *(Note 2)*			
Shanghai Emphasis Investment	—	2,511	11,693
Shanghai Chaolian Trading	—	—	768
Shanghai Haole Industrial	—	—	505
Shanghai Dingpei Industrial	—	—	96
Shanghai Haole Industrial sales to: *(Note 3)*			
Shanghai Emphasis Investment	63	—	—
Shanghai Chaolian Trading sales to: *(Note 4)*			
Shanghai Emphasis Investment	—	—	3,723

Notes:

1. Amount represents sales of products by Shanghai Emphasis Investment to other Target Companies.

2. Amount represents sales of products by Shanghai Jianchu Medical to other Target Companies.

3. Amount represents sales of products by Shanghai Haole Industrial to Shanghai Emphasis Investment.

4. Amount represents sales of products by Shanghai Chaolian Trading to Shanghai Emphasis Investment.

Set out below is the unaudited combined revenue, cost of products and gross profit margin by major products of the Target Companies for the three years ended 31 December 2014:

	For the year ended 31 December 2012		
Types of products	**Revenue**	**Costs of products**	**Gross profit**
	RMB'000	*RMB'000*	*RMB'000*
NPT	3,396	3,272	124
Molecular diagnostic products	—	—	—
Medical devices	18,728	8,989	9,739
Central diagnostic products	316,600	222,766	93,834
Thermo Fisher	—	—	—
Other	24,540	19,601	4,939
Total	363,264	254,628	108,676

Types of products	For the year ended 31 December 2013 Revenue	Costs of products	Gross profit
	RMB'000	*RMB'000*	*RMB'000*
NPT	4,092	3,799	293
Molecular diagnostic products	1,877	1,150	727
Medical devices	4,771	1,458	3,313
Central diagnostic products	461,966	315,904	146,062
Thermo Fisher	—	—	—
Other	70,484	53,312	17,172
Total	543,190	375,623	167,567

Types of products	For the year ended 31 December 2014 Revenue	Costs of products	Gross profit
	RMB'000	*RMB'000*	*RMB'000*
NPT	2,935	2,492	443
Molecular diagnostic products	2,912	1,645	1,267
Medical devices	5,935	2,526	3,409
Central diagnostic products	571,122	384,523	186,599
Thermo Fisher	2,869	2,156	713
Other	48,882	22,613	26,269
Total	634,655	415,955	218,700

Set out below is the unaudited combined revenue by type of customer of the Target Companies for the three years ended 31 December 2014:

	For the year ended 31 December 2012	2013	2014
	RMB' million	*RMB' million*	*RMB' million*
By type of customer			
Hospital and clinics	131.8	267.2	296.2
Local distributors	231.5	276.0	338.5
	363.3	543.2	634.7

II. APPLICATION OF THE ROCHE PRODUCTS AND THE THERMO FISHER PRODUCTS

Brand	Product name	Application
Roche	CD Products	Roche's immunological reagents: Roche's electrochemical luminescence technology has been widely used in the clinical in vitro diagnostics. Biochemical reagents: Biochemical reagents have been widely used. Instrument platform is divided into immunological and biochemical instrument platform and pre-processing platform. Immunological and biochemical instrument platform: Provides high-quality test results for clinical trials. Pre-processing platform: Offers laboratory automation solutions.

Brand	Product name	Application
Roche	IVD Molecular Products	1. cobas 4800 system HPV: HPV testing is used in the cervical cancer screening. CT/NG: Chlamydia trachomatis/Neisseria gonorrhoeae(CT/NG) testing helps prevent and control sexually transmitted diseases. EGFR/KRAS/BRAF: Tumor mutation testing, offering personalized treatments for tumor patients. 2. COBAS AmpliPrep/COBAS TaqMan HBV/HCV/HIV: Viral replication level testing, good for hepatitis treatment. 3. cobas s 201 fully automated mixed nucleic acid blood screening system: Uses nucleic acid to screen out virus in the blood, to ensure safe use of blood in clinical trials.

Brand	Product name	Application
Roche	NPT Products	Roche's NPT products mainly include bedside diagnostic products, including Roche's Cobas b123 fully automated blood gas analyzer, which is mainly used in testing the blood gas electrolytes and evaluating the acid-base balance. Roche's Reflotron dry biochemical analyzer is used in rapid biochemical testing in clinical trials for preliminary screening of blood. Roche's H232 cardiac marker detector mainly carries out preliminary screening assessment of myocardial infarction and heart failure, and tests for deep vein thrombosis and pulmonary embolism.
Thermo Fisher	Microbiological Product Series	Microbiological products consist of three top microbiological brands, namely Oxoid, Remel and TREK. The products cover the entire microbiological science field, and provide high-quality solutions for clinical trials, industrial production sector and microbiological diagnostics for basic academic research.

Brand	Product name	Application
Thermo Fisher	Pathological Product Series, including Immunohistochemical Products	Pathological product series include Shandon, Microm, Labvision, Richard-Allan Scientific etc., which cover the full series of equipment and reagents of subdisciplines such as Histology, Cytology, MAG&Gross and IHC, providing customers with any products needed in the pathology industry.
Thermo Fisher	Laboratory Product Series	Laboratory products help customers build a complete and reliable laboratory, which provides scientific researches and related clinical laboratory equipment, as well as world-class laboratory consumables.

III. LICENSE AND PERMITS HELD BY THE TARGET COMPANIES

License	Issuing authority	Scope of the license/permit
Shanghai Emphasis Investment: Medical Device Operation Permit (No. Hu 151377)	Shanghai Municipal Food and Drug Administration	Classes III and II: Clinical testing and analytical instruments, including medical device for in vitro diagnostic reagents***.
Shanghai Jianchu Medical: Medical Device Operation Permit (No. Hu 151275)	Shanghai Municipal Food and Drug Administration	Class III and Class II injection and puncture devices, clinical laboratory analytical instruments (including in vitro diagnostic medical reagents), medical polymer materials and products, Class II medical laboratory and infrastructure equipment and appliance***.
Shanghai Chaolian Trading: Medical Device Operation Permit (No. Hu 151667)	Shanghai Municipal Food and Drug Administration	Classes III and II: Clinical testing and analytical instruments, including medical device for in vitro diagnostic reagents. Class II: Medical laboratory and basic equipment and appliance***.
Shanghai Haole Industrial: Medical Device Operation Permit (No. Hujia Shiyaojianxie Jingying Xu 20159023)	Jiading Branch of Shanghai Municipal Food and Drug Administration	Class III: Clinical testing and analytical instruments, including medical device for in vitro diagnostic reagents***.

License	Issuing authority	Scope of the license/permit
Shanghai Dingpei Industrial: Medical Device Operation Permit (No. Hu 160753), Class II Medical Device Operation Filing Certificate (No. Husong Shiyaojianxie Jingying Bei 20140004)	Songjiang Branch of Shanghai Municipal Food and Drug Administration	Class III: Clinical testing and analytical instruments, including medical device for in vitro diagnostic reagents***. Class II: Medical equipment, including diagnostic reagents.

IV. DETAILS OF TRADEMARKS AND DOMAIN NAMES OF THE TARGET COMPANIES

Trademark

As at the Latest Practicable Date, the Target Companies owned preliminary approved trademark which has not been registered:

No.	Holder	Logo	Registration number	Registry	Sort	Deadline
1	Shanghai Emphasis Investment	安百达	12021270	PRC	10	27 June 2024

Domain name

As at the Latest Practicable Date, the Target Companies owned the following domain name:

No.	Name	Holder	Deadline
1	anbaida.com	Shanghai Emphasis Investment	09/01/2017

V. DETAILS OF LONG-TERM SUPPLIER AGREEMENTS AND DISTRIBUTION AGREEMENTS ENTERED INTO BY THE TARGET COMPANIES

The Target Companies have entered into long-term supplier agreements with their customers ranging from 1 to 8 years. As at the Latest Practicable Date, the Target Companies has entered into 388 long-term supplier agreements with its customers, details of the major types of agreement are disclosed below:

Customer/Note	Supplier	Location in the PRC	Term of agreement/ Valid period of supplier agreements	Business profile of the customer	Brand of products	Scope of services	Total revenue for the year ended 31 December 2014 RMB'000	2013 RMB'000	2012 RMB'000
Customer A *(Note 1)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment	Provision of medical services	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	103,839	125,834	70,518
Customer B *(Note 2)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment/from February 2014 to January 2019	Sales of medical devices and leasing of equipment	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	56,361	15,534	13,071
Customer C *(Note 3)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment	Maintenance of medical devices and distribution of consumables of medical devices	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	50,735	64,263	19,080
Customer D *(Note 4)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment/from July 2013 to July 2018	Maintenance of medical devices and distribution of consumables of medical devices	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	42,427	21,784	17,246
Customer E *(Note 5)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment	Maintenance of medical devices and distribution of consumables of medical devices	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	31,933	6,586	3,786
Customer F *(Note 6)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment/from January 2013 to January 2018	Maintenance of medical devices and distribution of consumables of medical devices	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	30,118	17,704	12,953
Customer G *(Note 7)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment	Provision of medical services	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	29,299	14,046	—
Customer H *(Note 8)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment/from August 2013 to August 2018	Maintenance of medical devices and distribution of consumables of medical devices	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	27,191	19,671	3,820

Customer/Note	Supplier	Location in the PRC	Term of agreement/ Valid period of supplier agreements	Business profile of the customer	Brand of products	Scope of services	Total revenue for the year ended 31 December 2014 *RMB'000*	2013 *RMB'000*	2012 *RMB'000*
Customer I *(Note 9)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment	Provision of medical services	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	18,896	18,227	7,764
Customer J *(Note 10)*	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment/from December 2014 to November 2019	Sales of medical devices and leasing of equipment	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	14,126	16,808	—
Customer K	Shanghai Emphasis Investment	Shanghai	60 months commencing the installation of equipment	Sales of medical devices and leasing of equipment	Roche Products	Leasing and maintenance of medical equipment and distribution of respective reagents	8,868	8,533	8,259

Notes:

1. Largest customer of the Target Companies for the year ended 31 December 2014.

2. 2nd largest customer of the Target Companies for the year ended 31 December 2014.

3. 3rd largest customer of the Target Companies for the year ended 31 December 2014.

4. 4th largest customer of the Target Companies for the year ended 31 December 2014.

5. 5th largest customer of the Target Companies for the year ended 31 December 2014.

6. 6th largest customer of the Target Companies for the year ended 31 December 2014.

7. 7th largest customer of the Target Companies for the year ended 31 December 2014.

8. 8th largest customer of the Target Companies for the year ended 31 December 2014.

9. 9th largest customer of the Target Companies for the year ended 31 December 2014.

10. 10th largest customer of the Target Companies for the year ended 31 December 2014.

For the salient terms of the remaining long-term supplier agreements, please refer to the disclosure below:

Scope of services and products provided:	Sales and leasing of medical equipment and the sales of associated consumables
Brand of products:	Roche, Thermo Fisher and other brands
Credit period:	From cash on delivery to 240 days (subject to mutual agreement and relevant internal approval by the Target Companies)
Term of agreements:	1 to 8 years
Valid period of the supplier agreements:	Ranged from 25 July 2015 to up 26 August 2020

VI. DETAILS OF THE DISTRIBUTION AGREEMENTS ENTERED INTO BY THE TARGET COMPANIES WITH LOCAL DISTRIBUTORS

Set out below are the salient terms of the distribution agreements entered into between the Target Companies and the local distributors:

Products:	Roche Products, Thermo Fisher Products, and products of other brands
Product pricing:	To be mutually agreed by the Target Companies and the local distributor
Credit and payment terms:	For purchase of consumable products, full payment before delivery up to 60 days credit period will be granted
Validity:	Up to 96 months
Distribution regions:	Shanghai
Return of Goods arrangement:	In all local distribution agreements entered into between the Target Companies and the local distributors, no terms regarding sales return have been expressly stipulated in the distribution agreements. Returning of goods will only be considered when there are defects in products and the return arrangement shall be mutually agreed between the Target Companies and the local distributors on a case by case basis.

VII. DETAILS OF THE DISTRIBUTION AGREEMENTS ENTERED INTO BY THE TARGET COMPANIES WITH THEIR SUPPLIERS

Shanghai Emphasis Investment has entered into distribution agreements with its suppliers, Roche and Thermo Fisher. Under the distribution agreements, Shanghai Emphasis Investment will distribute Roche Products and Thermo Fisher Products. As at the Latest Practicable Date, Shanghai Emphasis Investment had entered into 5 distribution agreements with its suppliers, none of the other 4 Target Companies had entered into any distribution agreement with other suppliers. Details of the distribution agreements entered into by Shanghai Emphasis Investment are disclosed below:

Supplier	Distribution agreement	Validity period	Scope of products/ services provided	Material conditions
Roche	Distribution Agreement	1 January 2014 to 31 March 2016	Roche Products	A non-exclusive distributor for the Products in the designated market segment of the territory. Roche agrees to supply its products, and Distributor agrees to purchase the products at distributor prices to be determined from time to time by Roche. Distributor's selling price of the products may be determined by Distributor based on the list price recommended by Roche in writing and shall take into account market conditions.

Supplier	Distribution agreement	Validity period	Scope of products/ services provided	Material conditions
Roche	Supplementary Agreement to Distribution Agreement	1 January 2014 to 31 March 2016	Roche Products	Article 17.1 of the Distribution Agreement is modified as follows: "This Agreement shall be in full force starting from the Effective Date as defined in Article 23.1 till 31st March, 2015. This Agreement shall be automatically extended for one year at the expiry of the initial term of this Agreement unless one of the Parties hereto gives to the other Party a written notice of termination one (1) month prior to the expiration of the initial term. To avoid divarication, the Parties agree that this Agreement should only automatically be extended for one time and this Agreement shall be automatically terminated upon the expiry of the one year extension period, unless the Parties reach and execute an updated agreement."
Roche	Appendix of Distribution Agreement Terms and Conditions for Distribution of CD Products, Letter of Authorization of CD and its Appendix	The term and its extension of this Appendix shall be the same as Distribution Agreement	Reagents: CC Modular/RD-HHT Reagents; CC cobas c/ Integra Reagents; IM cobas e/Elecsys Reagents; Instruments: CC Modular/RD-HHT Instruments; CC cobas c/Integra Instruments; IM cobas e/Elecsys Instruments; Automation Pre-analytics	*Target Market:* Hospital Laboratory except Blood Bank *Distribution regions:* For CD products: Shanghai, but exclude certain designated hospitals. Distributor's selling price may be based on the list price provided by Roche in writing and shall take into account market conditions.

Supplier	Distribution agreement	Validity period	Scope of products/ services provided	Material conditions
Roche	Appendix of Distribution Agreement Terms and Conditions for Distribution of IVD Molecular Products, Letter of Authorization of IVD and its Appendix	1 April 2015 to 31 March 2016	Reagents: 458155 MD Universal Reagents; 458170 CT/NG; 458240 Myco; 458245 Other Microbiology; 458305 Genomics; 458311 HPV; 458312 Oncology; Instruments: 458150 MD Instruments cobas4800/z480/CAP/CTM; 458310 MD Components & Misc	*Target Market:* Health check center, clinical laboratory and,Hospital Triage Department *Distribution regions:* For Cobas 4800/HPV/CTNG products: Shanghai For CAP/CTM products: Clinical Laboratory in Shanghai For Z480 products (except pathology): Shanghai For Z480/Oncology products: Shanghai, but exclude certain designated hospitals Distributor's selling price may be based on the list price provided by Roche in writing and shall take into account market conditions.
Roche	Appendix of Distribution Agreement Terms and Conditions for Distribution of NPT Products, Letter of Authorization of NPT and its Appendix	1 April 2015 to 31 March 2016	Cardiovascular Reagents & Instruments; Reflotron Reagents & Instruments; Cobas b 123 Reagents & Instruments except micro blood collector	*Target Market:* Hospital Laboratory except Blood Bank *Distribution regions:* Cardiovascular Reagents and Instruments: Certain designated hospitals, Shanghai Reflotron Reagents & Instruments: Shanghai East Hospital, The Ninth People's Hospital of Shanghai, The Central Hospital of Shanghai Putuo District. Cobas b 123 Reagents & Instruments: Gerontological Hospital of Yangpu District Distributor's selling price may be based on the list price provided by Roche in writing and shall take into account market conditions.

Supplier	Distribution agreement	Validity period	Scope of products/ services provided	Material conditions
Thermo Fisher *Note 1*	Distribution Agreement and Certificate of Distributor	1 January 2015 to 31 December 2015	Microbiological product series from Thermo Fisher Scientific Inc.	*Distribution regions:* Shanghai medical market, excluding CDC\CIQ\CFDA \Bloodbank Non-exclusive distributor
Thermo Fisher *Note 1*	Distribution Agreement and Certificate of Distributor	1 January 2015 to 31 December 2015	Pathological product series from Thermo Fisher Scientific Inc., including immunohistochemical products	*Distribution regions:* Shanghai medical market, except certain hospitals Non-exclusive distributor
Thermo Fisher *Note 1*	Distribution Agreement and Certificate of Distributor	1 January 2015 to 31 December 2015	Pathological product series from Thermo Fisher Scientific Inc., including immunohistochemical products Microbiological product series from Thermo Fisher Scientific Inc. Designated laboratory products from Thermo Fisher Scientific Inc.	*Distribution regions:* (i) Pathological product series from Thermo Fisher Scientific Inc., including immunohistochemical products: Shanghai medical market, except certain hospitals (ii) Microbiological product series from Thermo Fisher Scientific Inc.: Shanghai medical market, excluding CDC\CIQ\CFDA \Bloodbank Designated laboratory products from Thermo Fisher Scientific Inc. Shanghai medical market, including certain departments Non-exclusive distributor

Other salient terms of the distribution agreements entered into between the Target Companies and its suppliers are set out below:

ROCHE

Product pricing:	Roche agrees to supply its products, and Distributor agrees to purchase the products at distributor prices to be determined from time to time by Roche.
Credit limit:	RMB150,000,000.00
Payment terms:	60 days
Distribution regions:	Designated market Segment of Shanghai, the PRC
Return of Goods arrangement:	No explicit stipulations
Right of renewal:	the agreement shall be automatically extended for one year at the expiry of the initial term of the agreement unless one of the parties gives to the other party a written notice of termination one (1) month prior to the expiration of the initial term. The agreement should only automatically be extended for one time.
Product liability:	Any claim of defects or non-compliance with the specifications will have to be verified and confirmed by Roche. If the claim is justified as determined at the sole discretion of Roche, Roche will repair or replace the relevant product free of charge.

THERMO FISHER

Product pricing:	To be determined by Thermo Fisher
Payment terms:	Unless otherwise specified, 30 days from the invoice date
Distribution regions:	Designated territory of Shanghai, the PRC
Product liability:	During the warranty period, Thermo Fisher may elect to replace or repair the defected products. If the products had been re-sold by Shanghai Emphasis Investment, Thermo Fisher will no longer be responsible for the quality of such Thermo Fisher Products. Thermo Fisher however shall continue to be responsible for any casualty caused by its products or property damage arising from willful or gross negligence.

Note

1) The distribution agreements entered into between Shanghai Emphasis Investment and Thermo Fisher have not provided an express term for the extension. However, according to the previous practice, the extension will normally be for a year. Except that the parties may extend the distribution agreements before its expiry date, the distribution agreements have provided no renewal provisions. The current distribution agreement entered into between Shanghai Emphasis Investment and Thermo Fisher will expire on 31 December 2015 and the Company intends to stick to its current practice to negotiate for a renewal towards the end of 2015. It is expected that the parties will execute the renewal in March 2016.

2) According to the distribution agreements entered into between (i) Shanghai Emphasis Investment and Roche; and (ii) Shanghai Emphasis Investment and Thermo Fisher, Roche and Thermo Fisher have no absolute discretion in determining the pricing of the relevant products. Regarding the pricing of Roche Products, the Target Companies shall take into account market conditions when determining their prices.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company

	Interests in ordinary shares						
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests in ordinary shares**	**Total interests in underlying shares**	**Aggregate interests**	**% of the Company's issued share capital**
James Hartono	61,352,500	—	5,000,000 *(Note 1)*	66,352,500	—	66,352,500	14.21%

Note:

1. 5,000,000 shares were beneficially owned by Amrosia Investments Limited, a company wholly-owned by Mr. James Hartono.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Jeane Hartono	Beneficial owner	169,222,500	36.25%
Rico Hartono	Beneficial owner	66,352,500	14.21%
Chen Chen Irene Hartono	Beneficial owner	29,868,750	6.40%

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors, whose interests are set out in the section "Directors' and Chief Executives' interests and short positions in Shares, underlying shares and Debentures" above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, save as disclosed below, none of the Target Companies, the Company or any of its subsidiaries has received notice of any litigation or arbitration proceedings pending or threatened against the Company or any of its subsidiaries. According to the *Subpoena* issued by the People's Court of Xuhui District, Shanghai to Shanghai Emphasis Investment on 24 March 2015 (Case No.: (2015) Xu Min Er

(Commercial) Chu Zi No. 156) and the Complaint submitted by a customer of Shanghai Emphasis Investment and Haole Industrial (hereinafter "the Plaintiff"), made the following petitions to the People's Court of Xuhui District, Shanghai for the disputes over the sale and purchase contract: 1. Shanghai Emphasis Investment shall be ordered to pay a penalty of RMB1,357,583.01 in aggregate for the delayed shipment to the plaintiff (as of 21 October 2014); 2. Shanghai Emphasis Investment shall be ordered to pay for the income loss arising from the unshipped dry biochemical reagents amounting to RMB225,099.33 in aggregate to the plaintiff in 2013; 3. Shanghai Emphasis Investment shall be ordered to indemnify the plaintiff for the income loss of approximately RMB5,080,855 arising from the breach of Shanghai Emphasis Investment by selling the goods through a third party during the period between January and October 2014; Shanghai Emphasis Investment shall be ordered to bear the litigation costs of this case. At present, the People's Court of Xuhui District, Shanghai has not made a judgment for the first trial of the case. According to the *Subpoena* issued by the People's Court of Xuhui District, Shanghai to Haole Industrial on 27 March 2015 (Case No.: (2015) Xu Min Er (Commercial) Chu Zi No. 155) and the *Complaint* submitted by the plaintiff, it made the following petitions to the People's Court of Xuhui District, Shanghai for the disputes over the sale and purchase contract: 1. Haole Industrial shall be ordered to pay a penalty of RMB4,077,093.49 in aggregate for the delayed shipment to the plaintiff (as of 12 November 2014); 2. Haole Industrial shall be ordered to bear the litigation costs and attorneys' fees of this case, as well as the various investigation and notary fees incurred as to prove the breach of Haole Industrial. At present, the People's Court of Xuhui District, Shanghai has not made a judgment for the first trail of the case.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

8. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSET OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

9. MATERIAL CONTRACTS

The following contacts, not being contracts in the ordinary course of business, were entered into by the members of the Group within two years preceding the Latest Practicable Date and which are or may be material:

(a) the Yestar Technology CLP Exclusive Distributorship Contract, being the exclusive distributorship contract between Yestar Technology and Fujifilm China Investment and signed by them on 10 June 2013 and 8 June 2013, respectively, pursuant to which Fujifilm China Investment appointed Yestar Technology as well as its related companies under common control as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC from 10 June 2013 to such date as the Yestar Technology CLP MR Purchase Contract expires, and will be extended for such term as the Yestar Technology CLP MR Purchase Contract is extended;

(b) the Yestar Imaging CLP Exclusive Distributorship Contract, being the exclusive distributorship contract between Yestar Imaging and Fujifilm China Investment and signed by them on 10 June 2013 and 8 June 2013, respectively, pursuant to which Fujifilm China Investment appointed Yestar Imaging as well as its related companies under common control (including but not limited to Yestar Technology) as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC from 10 June 2013 to such date as the Yestar Imaging CLP MR Purchase Contract expires, and will be extended for such term as the Yestar Imaging CLP MR Purchase Contract is extended;

(c) a deed for sale and purchase dated 18 September 2013 between (i) the Yestar BVI Shareholders as vendors, (ii) Ms. Jeane Hartono, Mr. Rico Hartono, Mr. James Hartono and Ms. Chen Chen Irene Hartono as warrantors and (iii) the Company as purchaser pursuant to which the Company agreed to acquire from the Yestar BVI Shareholders the entire issued shares in Yestar BVI in consideration of the allotment and issue by the Company of in aggregate 337,499,000 new Shares credited as fully paid to the Yestar BVI Shareholders as follows:

Name of Yestar BVI Shareholders	**No. of Shares**
Ms. Jeane Hartono	169,221,990
Mr. James Hartono	66,352,300
Mr. Rico Hartono	66,352,300
Ms. Chen Chen Irene Hartono	29,868,660
Forever Nice	5,703,750

(d) a deed of non-competition dated 18 September 2013 executed by the Controlling Shareholders in favor of the Company;

(e) a deed of indemnity dated 18 September 2013 entered into between the Controlling Shareholders as indemnifiers and the Company for itself and as trustee for the subsidiaries, pursuant to which the Controlling Shareholders have given certain indemnities in favor of the Group;

(f) the Hong Kong underwriting agreement dated 26 September 2013;

(g) the master sales and purchase agreement dated 11 September 2014;

(h) the share transfer agreement dated 11 September 2014;

(i) the Share Transfer Agreement; and

(j) the subscription agreements dated 28 June 2015 entered into between the Company and each of the subscribers of the new Shares to be conditionally allotted and issued by the Company.

10. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have been named in this circular or have given their respective opinion or advice contained in this circular:

Name	Qualification
Jingtian & Gongcheng	registered law firm in the PRC
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, Jingtian & Gongcheng and Ernst & Young have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their respective opinions or letter and the reference to their respective names in the form and context in which they respectively appear.

Jingtian & Gongcheng and Ernst & Young do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Jingtian & Gongcheng and Ernst & Young do not have any direct or indirect interest in any assets which have since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at Room 2102A, 21/F., The Centrium, 60 Wyndham Street, Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Services Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Ng Chit Sing, who is an associate member of both Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators.

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2102A, 21/F., The Centrium, 60 Wyndham Street, Central, Hong Kong on weekdays (Saturdays and public holidays excepted) during normal business hours for a period within 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the Share Transfer Agreement;

(c) the material contract(s) disclosed in the paragraph under the heading "Material Contracts" in this Appendix;

(d) the accountants' report on the Target Companies, the text of which is set out in Appendix II to Appendix VI to this circular;

(e) the written consent referred to under the section headed "Experts and Consents" in this Appendix V to this circular;

(f) the interim report of the Company for the six months ended 30 June 2014;

(g) the annual reports of the Company for each of the three years ended 31 December 2014; and

(h) this circular.