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).

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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 5 to 36 of this circular.

24 October 2014

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

"2014 Net Profit" or "2014 Net Loss"	the audited consolidated net profit or loss of the Target Company for the financial year ending 31 December 2014, expressed in RMB in respect of the period after completion of the Acquisition up to 31 December 2014
"2015 Net Profit" or "2015 Net Loss"	the audited consolidated net profit or loss of the Target Company for the financial year ending 31 December 2015, expressed in RMB and agreed or determined as such pursuant to the Share Transfer Agreement
"2016 Net Profit" or "2016 Net Loss"	the audited consolidated net profit or loss of the Target Company for the financial year ending 31 December 2016, expressed in RMB and agreed or determined as such pursuant to the Share Transfer Agreement
"Acquisition"	the acquisition by the Purchaser from the Vendors of the 70% of the entire equity interest of the Target Company
"associate(s)"	has the meanings given to it under the Listing Rules
"BD"	碧迪醫療器械(上海)有限公司 (Becton, Dickinson and Company (Shanghai) Limited*)
"BD Products"	the products of BD
"Capital Group"	Capital Group Pte. Ltd., a company incorporated in Singapore on 19 October 2009 with limited liability which is owned as to 51% by Ms. Jeane Hartono, 20% by Mr. Rico Hartono, 20% by Mr. James Hartono and 9% by Ms. Chen Chen Irene Hartono
"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 in accordance with the terms and conditions of the Share Transfer Agreement
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of RMB245.0 million which shall be paid by the Purchaser for the Acquisition

"Controlling Shareholders"	Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono, were interested and deemed interested in an aggregate of approximately 71.06% of the issued share capital of Company as at the Latest Practicable Date
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group together with the Target Company
"Forever Nice"	Forever Nice Enterprises Limited, a company incorporated on 17 June 2002 in the BVI which is 100% owned by Ms. Chen Hong, a director of Yestar Technology and thus a connected person of the Company
"Fujifilm China Investment"	Fujifilm (China) Investment Co., Ltd., a company established in the PRC on 12 April 2001, a member of the Fujifilm Group and an Independent Third Party
"Fujifilm Group"	Fujifilm Holdings Corporation, a company listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange, and its subsidiaries from time to time, an Independent Third Party
"Group"	collectively, the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jiangsu Uno Biotechnology"	江蘇歐諾生物科技有限公司 (Jiangsu Uno Biotechnology Limited*)
"Latest Practicable Date"	22 October 2014, 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
"Master Sales and Purchase Agreement"	the agreement dated 11 September 2014 entered into between the Target Company and Nanjing Uno whereby Nanjing Uno has agreed to purchase all Roche Diagnostics Products and BD Products exclusively from the Target Company based on the quantity demanded by Nanjing Uno's customers
"Ms. Hang"	Ms. Hang Wenxia (杭文霞), interested in 69.23% of the Target Company as at the Latest Practicable Date, an independent third party of the Company prior to Completion

"Ms. Xu"	Ms. Xu Di (徐迪), interested in 30.77% of the Target Company as at the Latest Practicable Date, an independent third party of the Company prior to Completion
"Nanjing Baifu Biotechnology"	南京柏福萊生物技術有限公司 (Nanjing Baifu Biotechnology Limited*)
"Nanjing Oudai Technology"	南京歐戴德科技有限公司 (Nanjing Oudai Technology Limited*)
"Nanjing Oudai Trading"	南京歐戴德商貿有限公司 (Nanjing Oudai Trading Limited*)
"Nanjing Uno"	南京歐諾醫療設備有限公司, a company established in the PRC with limited liability, as at the Latest Practicable Date was held by Ms. Hang and Ms. Xu as to 95% and 5% respectively
"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 GAAP"	generally accepted accounting principles of the PRC
"PRC Legal Adviser"	Commerce & Finance Law Offices, the PRC legal adviser to the Company as to the PRC laws
"Roche"	羅氏診斷產品(上海)有限公司 (Roche Diagnostics (Shanghai) Ltd*)
"Roche Diagnostics Products"	the diagnostics products of Roche
"Sale Capital"	70% of the entire equity interests in the Target Company
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Share Transfer Agreement"	the agreement dated 11 September 2014 entered into between the Purchaser and the Vendors to acquire from the Vendors 70% of the equity interests in the Target Company at a consideration of RMB245 million
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	江蘇歐諾科技發展有限公司 (Jiangsu Uno Technology Development Company Limited*), a company incorporated in PRC in March 2003 and its principal business is investment holding

"Vendors"	collectively, Ms. Hang and Ms. Xu, and each a "Vendor"
"Yestar BVI"	Yestar Asia Company Limited, a company incorporated in BVI with limited liability on 1 February 2012 and a wholly-owned subsidiary of the Company
"Yester BVI Shareholders"	collectively, Ms. Jeane Hartono, Mr. Rico Hartono, Mr. James Hartono, Ms. Chen Chen Irene Hartono and Forever Nice
"Yestar HK"	Yestar International (HK) Company Limited, a company incorporated in Hong Kong with limited liability on 29 February 2012 and a wholly-owned subsidiary of the Company
"Yestar Imaging"	廣西彩星化工科技有限公司 (Yestar (Guangxi) Imaging Technology Co., Ltd.), a company established in the PRC with limited liability on 23 November 2010 and a wholly-owned subsidiary of the Company
"Yestar Medical"	廣西巨星醫療器械有限公司 (Yestar (Guangxi) Medical System Co., Ltd.), a company established in the PRC with limited liability on 24 December 2009 and a wholly-owned subsidiary of the Company
"Yestar Shanghai" or "Purchaser"	巨星貿易(上海)有限公司 (Yestar (Shanghai) Co., Ltd.), a company established in the PRC with limited liability on 20 July 2000 and a wholly-owned subsidiary of the Company
"Yestar Technology"	廣西巨星科技有限公司 (Yestar (Guangxi) Technology Co., Ltd.), a company established in the PRC with limited liability on 23 July 2004 and a 92.86% 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$1.26. This does not mean that HK$ 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.

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

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Room 805, Block 2
No. 58 Shen Jian Dong Lu
Min Hang District
Shanghai
PRC

24 October 2014

To the Shareholders,

Dear Sirs,

MAJOR ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 12 September 2014. On 11 September 2014 (after trading hours), the Purchaser, the Vendors, the Target Company, and Nanjing Uno entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell, the Sale Capital (representing 70% of the entire equity interests in the Target Company) at an aggregate Consideration of RMB245 million. The Consideration is to be satisfied in cash.

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

THE SHARE TRANSFER AGREEMENT

Date:

11 September 2014

Parties to the Acquisition Agreement:

(i) Ms. Hang and Ms. Xu, the vendors;

(ii) Yestar Shanghai, a wholly-owned subsidiary of the Company, the purchaser;

(iii) The Target Company, owned by Ms. Hang and Ms. Xu as to 69.23% and 30.77% respectively before completion of the Acquisition; and

(iv) Nanjing Uno, owned by Ms. Hang and Ms. Xu as to 95.0% and 5.0% respectively.

Interest to be acquired of under the Acquisition

Pursuant to the Share Transfer Agreement, the Purchaser will acquire from the Vendors 70% of the entire equity interests of the Target Company (of which 39.23% shall be acquired from Ms. Hang and 30.77% to be acquired from Ms. Xu). Immediately after Completion, the entire equity interests of the Target Company will be owned as to 70% by the Purchaser and 30% by Ms. Hang respectively.

Consideration

The Consideration for the Acquisition is RMB245.0 million (equivalent to approximately HK$308.7 million), of which approximately RMB137.3 million will be paid in cash by the Purchaser to Ms. Hang and approximately RMB107.7 million will be paid in cash by the Purchaser to Ms. Xu.

The Consideration of RMB245.0 million (equivalent to approximately HK$308.7 million) shall be paid by the Purchaser in the following manner:

(i) as to RMB147 million (equivalent to approximately HK$185.3 million) (being 60% of the total Consideration) within 30 days after Completion;

(ii) as to RMB49 million (equivalent to approximately HK$61.7 million) (20% to of the Consideration) within 90 days after the execution of the Share Transfer Agreement or within 30 days after the completion of the change in business registration (whichever is later); and

(iii) as to RMB49 million (equivalent to approximately HK$61.7 million) (20% to of the Consideration) within 180 days after the execution of the Share Transfer Agreement or 30 days after the cessation of the operation of Nanjing Uno (whichever is later).

The Vendor and the Purchaser shall use its best endeavours to complete the relevant share transfer registration procedures within 30 days upon the fulfilment of all condition precedents. If the share transfer registration procedures is not completed within 60 days after fulfilment of all condition precedents, the Purchaser shall have the right to notify the Vendor to terminate the Share Transfer Agreement and all Consideration paid by the Purchaser shall be returned by the Vendors to the Purchaser.

All the payment above shall only be made by the Purchaser upon the due payment of relevant tax in respect of the Acquisition by the Vendors. The Purchaser shall pay the Vendors within 5 days after the Vendors have paid all relevant tax expenses.

All professional fees incurred by the each of the parties to the Share Transfer Agreement shall be responsible by each of the parties. The Purchaser at the request of the Vendors shall pay on behalf of the Vendors the professional fees payable to their financial advisers out of the Consideration net of tax payable to the Vendors.

The Vendors have also guaranteed under the Share Transfer Agreement to recover the outstanding account receivable of the Target Company as at the date of the Share Transfer Agreement. Such account receivable shall be recovered within 180 days from the date of recording of such receivable on the accounting records of the Target Company, if such account receivable shall not be settled within 180 days from the date of recording such receivable on the accounting records of the Target Company, the Purchaser shall withhold the unsettled account receivable balance from the Consideration payable and the Pre-Acquisition Profit (as defined below) to be distributed to the Vendors. The amount of Consideration and the Pre-Acquisition Profit so withheld by the Purchaser shall be paid to the Vendors within 30 days after the settlement of account receivable balance, provided that distribution of the Pre-Acquisition Profit shall also be subject to the fulfilment of the Annual Guarantee Profit as discussed below in this circular.

The account receivable balances are recorded upon the delivery of products to the designated recipient of the Target Company's customer, in which the risk and reward and the ownership of the product is transferred to the customer based on the contractual terms. The products were delivered by logistic companies which are independent third parties of the Target Company to the designated recipient of the Target Company's customer. Upon obtaining evidence of the successful delivery, the finance staff will proceed with the recording of sales and respective account receivable balance. As at the date of the Share Transfer Agreement, there was no account receivable not recorded in the Target Company's books.

The outstanding account receivable balance as at the date of the Share Transfer Agreement (i.e. 11 September 2014) of the Target Company were amounted to RMB49.6 million, of which approximately RMB49.3 million was account receivable balance from Nanjing Uno in respective of the supply of Roche Diagnostics Products by the Target

Company to Nanjing Uno and RMB0.3 million was account receivable balance due from other distributors in respect of the supply of Roche Diagnostics Products by the Target Company. Set out below is the aging analysis of the Target Company's account receivable balance:

Account receivable	**Amount** *RMB' million*	**Aging of the receivable balance**
Nanjing Uno	49.1	Within 3 months
Nanjing Uno	0.2	Between 3 to 6 months
Other distributors	0.3	Within 3 months
Total	49.6	

The Target Company has maintained a credit review policy in which the senior management of the Target Company will conduct periodically review of no less than quarterly review on the outstanding account receivable balances, should any account receivable 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 Company find that the account receivable balance to be long outstanding, the senior management of the Target Company 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 Company including Nanjing Uno. According to the historical result for the two years ended 31 December 2013 and for the six months period ended 30 June 2014, no bad-debt provision was made by the Target Company.

In addition, as for the amount due from Nanjing Uno, as Nanjing Uno was also controlled by the Vendor, the outstanding receivables from Nanjing Uno were normally settled within six months. Furthermore, the Vendor had also guaranteed the recovery of the outstanding balances. Should Nanjing Uno be unable to settle the outstanding balance on time, the Purchaser shall withhold the unsettled balances from the Consideration payable and the Pre-Acquisition Profit to be distributed to the Vendors.

Under the Share Transfer Agreement, the Purchaser will appoint a chief financial officer to the Target Company. The chief financial officer will monitor and keep track of the settlement of the relevant accounts receivable on a monthly basis.

Pursuant to Share Transfer Agreement, should the relevant accounts receivable balances not be fully recovered within 180 days after recording such receivable on the accounting records of the Target Company, the Purchaser shall have the right to withhold the unsettled balance from the second instalment of the Consideration and any undistributed profits not yet paid to the Vendors. Such withheld amount shall be paid within 30 days after the remittance of such accounts receivable balance to the Target Company's accounts.

Pursuant to the Share Transfer Agreement, upon 10 days prior to the day of settlement of the Consideration or the Pre-Acquisition Profit (as the case maybe), the Purchaser shall review the accounting record of the Target company. Should the outstanding account receivable balance remained outstanding for more than 180 days, such outstanding balance shall be withheld from payment of the Pre-Acquisition Profit or the payment of the Consideration (as the case maybe) until such account receivable balance have been settled.

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

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

On the Pre-Acquisition Profit mentioned above, it has been agreed by the parties to the Share Transfer Agreement that the Vendors shall be the owners of the pre-acquisition and undistributed profit as at 30 June 2014 (the "**Pre-Acquisition Profit**").

Non-compete arrangements

Nanjing Uno was owned by Ms. Hang and Ms. Xu as to 95.0% and 5.0% respectively. The principal business of Nanjing Uno includes but not limited to sales and distribution of medical equipment, medical device research and development and medical equipment consultation. Nanjing Uno is currently a distributor of BD medical equipment in Jiangsu, the relevant distribution agreements have expired on 30 September 2014. The Target Company entered into a distribution agreement of BD medical equipment on 1 September 2014 with BD and became a distributor of BD medical equipment for the period up to 30 September 2014. The distribution agreement entered into by the Target Company will be further renewed upon expiry.

Apart from distributing BD Products, Nanjing Uno also acted as distributor for the Target Company's Roche Diagnostics Products in Anhui and Jiangsu.

In order to ensure that the Vendor is able to procure BD to enter into distribution agreement with the Target Company, the Group requested the Vendor to demonstrate by way of procuring the Target Company to enter into a short term distribution agreement with BD. As such the Target Company entered into a one month distribution agreement with BD which expired on 30 September 2014.

According to the Vendor, the distribution agreement will continue to be renewed after expiry. As at the Latest Practicable Date, BD has granted the renewal approval on renewing the distribution agreement with Target Company up to 30 September 2015 and is in the process of finalizing the details of distribution agreement. The new distribution agreement is expected to be executed once BD has completed the internal review process which is expected to complete within two months.

As the business of Nanjing Uno will directly compete with the Target Company, the Vendors agreed that within 1 year after the execution of the Share Transfer Agreement, to cease the business operation of Nanjing Uno and to commence the relevant procedures to dissolve Nanjing Uno. If Nanjing Uno is unable to complete the dissolution within 1 year after the execution of the Share Transfer Agreement, the Target Company shall not distribute any Pre-Acquisition Profit to the Vendors.

As at the Latest Practicable Date, Nanjing Uno have also entered into long-term supplier agreements with their customers, in order to dissolve Nanjing Uno, Nanjing Uno shall procure their customers to enter into agreements with the Target Company, so as to enable Nanjing Uno to fulfill Nanjing Uno's commitment in the Share Transfer Agreement to cease operation within 180 days from the execution of the Share Transfer Agreement and to complete dissolution within one year from the date of fulfillment of condition precedents. The Target Company will continue to be the supplier of relevant products to the customers after entering into of the agreement with the customers of Nanjing Uno.

If Nanjing Uno is unable to procure the customers to enter into the relevant supplier agreements with the Target Company, Nanjing Uno shall procure the Target Company to directly supply the relevant products to Nanjing Uno's customers and Nanjing Uno's customers shall pay directly to the Target Company. All economic risk and benefits in respect of the above mentioned arrangement shall be accountable and beneficial to the Target Company. Under the Master Sales and Purchase Agreement and the Share Transfer Agreement, starting from the effective date of the Share Transfer Agreement, Nanjing Uno may not engage in any business other than the distribution of Roche Diagnostics Products and BD Products by the Target Company. Moreover, the prices at which the Target Company sells Roche Diagnostics Products and BD Products to Nanjing Uno shall be absolutely the same as the prices at which Nanjing Uno sells them to its customers, which means that the distribution of Roche Diagnostics Products and BD Products by Nanjing Uno will not yield any profit.

In addition, starting from the effective date of the Share Transfer Agreement, the financial officers of Nanjing Uno will be replaced and held concurrently by the chief financial officer of the Target Company appointed by the Purchaser. Such chief financial officer will closely monitor the business operations of Nanjing Uno (including keeping the company and financial stamps of Nanjing Uno) and ensure the performance of the Master Sales and Purchase Agreement and the Share Transfer Agreement.

In consideration of the additional time needed for Nanjing Uno to negotiate and procure the relevant customer to enter into supplier agreements with the Target Company, while the interests of the Purchaser can be fully protected through the Master Sales and Purchase Agreement and the aforementioned financial monitoring, therefore, the transference of all businesses of Nanjing Uno to the Target Company has not been included as one of the conditions precedent to the Share Transfer Agreement.

Upon the completion of the legal procedures to deregister Nanjing Uno, agreements entered into by Nanjing Uno will be automatically terminated as there will be no party to such transactions. The Target Company cannot automatically replace Nanjing Uno to supply products to the customers. However, as most of the relevant long-term supplier agreements were for the purchases of specific consumable for the respective medical equipment, therefore, as long as the relevant hospital customers continue to use the relevant medical equipment, the customer will have to continue to purchase the consumable from the Target Company. Moreover, the Directors believed that the major concern of customers would be on product quality, after-sale services and pricing. Should the above mentioned factors remain unchanged even if the supplier becomes the Target Company, the customer will continue to source consumable from the Target Company. As such the Board is of the view that that the risk of the relevant customers refusing to cooperate with the Target Company after Nanjing Uno has been deregistered is remote.

After the execution of the Share Transfer Agreement, save as the distribution of products on-behalf of the Target Company prior to the Target Company entering into agreement with Nanjing Uno's customers, Nanjing Uno shall not carry out any other business activities.

Upon Completion, should any employee of Nanjing Uno would like to join the Target Company as their own discretion, the Target Company shall hire them on the same terms and condition currently offered by Nanjing Uno to the employees.

During the period between the fulfillment of the condition precedents of the Share Transfer Agreement and the completion of the dissolution of Nanjing Uno:

(i) the Purchaser shall appoint a chief financial officer to Nanjing Uno on the date of the fulfilment of the condition precedents;

(ii) all relevant authorized stamps of Nanjing Uno shall be kept by the chief financial officer appointed by the Purchaser;

(iii) the execution of any agreement by Nanjing Uno shall be approved by the chief financial officer; and

(iv) if any of the above is violated by Nanjing Uno, the Purchaser shall have the right to terminate the Share Transfer Agreement.

In order to avoid any possible future competition between the Vendors and the Target Company, the Vendors irrevocably and unconditionally undertake that within 5 years from executing the Share Transfer Agreement, or within 2 years after the Vendors ceased to be employed by the Target Company (whichever is the later), the Vendors shall not engage in any business in competition with the Target Company including acting as directors, supervisors, consultant or any form of employment.

When business opportunities which may compete with the business of the Target Company arise, the Vendors shall notify the Purchaser, regardless of whether the Purchaser decided to proceed with the business opportunities or not, the Vendors and its associates shall not proceed with such business opportunities.

Apart from the aforementioned restrictions, the Vendors shall not invest in any company that engages in the businesses which the Target Company operates.

The relevant businesses which the Vendors are prohibited to invest or participate in include but not limited to sales of medical equipment, distribution of medical equipment consumables, medical equipment research and development, medical equipment consultation and electronic equipment, mechanical equipment and medical equipment leasing, repairs and maintenance.

First right of refusal

Ms. Hang irrevocably and unconditionally undertakes in favor of the Purchaser that during the three years ending 31 December 2016, being the profit guarantee period, she shall not dispose of the remaining 30% equity interest in the Target Company without obtaining prior consent from the Purchaser. Subsequent to the profit guarantee period, should Ms. Hang decide to dispose of her interest in the Target Company, subject to compliance of all applicable laws and regulations in full, the Purchaser shall have the first right of refusal to acquire the remaining interest in the Target Company.

Profit guarantee

As mentioned above, the Vendors shall be entitled to the Pre-Acquisition Profit of the Target Company. According to the terms of the Share Transfer Agreement, the Pre-Acquisition Profit of the Target Company shall be distributed in accordance with the following proportions: 34% in 2015, 34% in 2016 and 32% in 2017.

Pursuant to the Share Transfer Agreement, the Vendors irrevocably and unconditionally guarantee to the Purchaser that each of the 2014 Net Profit, 2015 Net Profit and 2016 Net Profit shall not be less than RMB45 million, RMB54 million and RMB64 million ("**Annual Guarantee Profit**") respectively. The 2014 Net Profit, 2015 Net Profit and 2016 Net Profit shall be the audited net profit of the Target Company for the three years ending 31 December 2016, taking into account all gains or losses of the Target Company pursuant to International Financial Reporting Standards.

The Annual Guarantee Profit was determined after arm's length negotiation between the Group and the Vendors, based on the historical results of the Target Company and the sales figures of BD Products of Nanjing Uno for the year ended 31 December 2013 and for the six months ended 30 June 2014 and the business growth and profitability of the Target Company, as well as the prospect of healthcare industry in the PRC. When determining the Annual Guarantee Profit for the years ending 31 December 2015 and 2016, the Directors have also factored in a general increase of 20% per annum based on the historical growth of the Target Company for the two six-month periods ended 30 June 2014. The Directors have also considered that historical growth of the PRC healthcare industry. According to the report issued by McKinsey & Company in July 2012, expenditure on healthcare sector in the PRC grew from US$156 billion in 2006 to US$357 billion in 2011, which represented a compound annual growth rate of approximately 18%. In addition, according to the medical industry development status report 2013 issued by Medical Device Sub-Association of China Medical Pharmaceutical Material Association (中國醫藥物資協會醫療器械分會), it is expected that the medical device industry market will increase from RMB120 billion in 2011 to RMB300 billion in 2015 representing an estimated compound annual growth rate of approximately 25.7%. The Directors considered that the growth in medical device market will increase the demand for medical equipment consumables. In view of such, the Directors agreed a growth of 20% per annum for the upcoming three years with the Vendors.

Based on the above mentioned factors, the Vendors are confident that the Target Company 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 Directors considered that 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 the actual profits of the Target Company for the three years ending 31 December 2016 are less than the 2014 Net Profit, 2015 Net Profit and 2016 Net Profit, the Vendors shall, compensate to the Purchaser according to the following formula:

(Annual Guarantee Profit – 2014 Net Profit/2015 Net Profit/2016 Net Profit) *2

In the event that the Target Company records loss for any of the guarantee period, compensation to the Purchaser shall be calculated by adding the Annual Guarantee Profit to the absolute terms of the Net Loss according to the following formula:

(Annual Guarantee Profit + 2014 Net Loss/2015 Net Loss/2016 Net Loss) *2

If the shortfall in the Target Company's profit exceeds the Pre-Acquisition Profit to be repaid that year, the Vendors would settle the compensation by cash.

Note

Annual Guarantee Profit of 2014 equals to RMB45 million divided by 12 months and then times the number of months after Completion up to year end.

Based on the historical records, the gain outside the ordinary and usual course of business of the Target Company were amounted to approximately RMB3,000, RMB12,000 and RMB27,000, respectively, for the period from 5 December 2011 to 31 December 2011, for the year ended 31 December 2012 and for the six months ended 30 June 2014, while the loss outside the ordinary and usual course of business of the Target Company amounted to RMB nil, RMB200,000 and RMB200,000, respectively, which, in the Directors' opinion, were not material to the financial performance of the Target Company. In addition, the Target Company 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, as such for simplicity purposes and the ease for execution, no gain or loss items outside the ordinary and usual course of business of the Target Company will be excluded from calculating the 2014 Net Profit, 2015 Net Profit and 2016 Net Profit.

The compensation shall be deducted from the Pre-Acquisition Profit to be distributed to the Vendors. If the Pre-Acquisition Profit is insufficient to cover the entire compensation amount, the remaining balance shall be payable by the Vendors to the Purchaser within 30 days after the issue of the relevant audited report. The maximum compensation shall be up to the total Consideration received by the Vendors during the relevant period of time.

The annual audited accountants' report shall be issued by the auditor of the Group on or before the end of first quarter of 2015, 2016 and 2017. The Pre-Acquisition Profit shall be distributed within 30 days after issuance of annual audited accountants' report of the previous year. Should the net profit of the respective years of the Target Company falls below the respective Annual Guarantee Profit, the Purchaser shall deduct compensation on the shortfall from the Pre-Acquisition profit prior to the payment of the Pre-Acquisition Profit. Should the Pre-Acquisition Profit be insufficient to cover the compensation, the Vendors shall make up the balance by paying cash to the designated bank account of the Purchaser within 30 days after issuance of annual audited accountants' report of the previous year.

If the Acquisition has not been completed within 120 days after signing the Share Transfer Agreement (i.e. on 9 January 2015), the Purchaser is entitled to terminate this agreement by notifying the Vendors in written form. In the case that the Purchaser decides to terminate the agreement, the Vendors shall refund all monies that the Purchaser has paid for the transaction.

Should the Acquisition cannot be completed by the end of year 2014, pursuant to the formula for calculating the Annual Guarantee Profit, the financial results of the Target Company will not be subject to the Annual Guarantee Profit. The Directors considered that given the Group will not be entitled to consolidate the financial results of the Target Company for the year ending 31 December 2014, it is reasonable that the financial results of the Target Company for the year ending 31 December 2014 not to be subject to the Annual Guarantee Profit.

Save as withholding or deducting the Pre-Acquisition Profit due to the failure of the Vendors to fulfil their relevant undertakings or obligations under the Share Transfer Agreement or achieving the Annual Guarantee Profit, the Pre-Acquisition Profit shall be paid to the Vendors by the end of the first quarter of 2015, 2016 and 2017, respectively, within 30 days after the issue of the audited report for the corresponding prior year by an independent auditor approved by the Purchaser. The payment ratio of the Pre-Acquisition Profit shall be 34%, 34% and 32% in 2015, 2016 and 2017, respectively. Prior to each payment of the Pre-Acquisition Profit by the Target Company, the Vendors shall have provided the evidences of the due settlement of their individual income tax liabilities under the law in relation to the relevant revenue.

Post-acquisition right

The Vendors and the Purchaser mutually agreed that should the net profit of the Target Company in the upcoming three years ending 31 December 2016 be able to reach the Annual Guarantee Profit, Ms. Hang subject to the compliance of relevant rules and regulations (including the Listing Rules) shall have the right to require the Purchaser to acquire the remaining 30% equity interest in the Target Company at a consideration representing a price earnings ratio of 10 times to the audited net profit of the Target Company in 2016 audited by the auditor appointed by the Purchaser up to a maximum of RMB250 million. The consideration for the remaining 30% equity interest in the Target Company to be acquired shall also be satisfied by way of cash. The acquisition of the remaining 30% equity interest in the Target Company shall be conducted in a manner to be mutually agreed by the Purchaser and Ms. Hang and a separate agreement will be entered into for such acquisition, if materialised.

According to the Directors, as at the Latest Practicable Date, the Board will only consider acquiring the remaining 30% interest only if the Target Company is able to reach the Annual Guarantee Profit of the respective years ending 31 December 2016.

Conditions Precedents

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

(i) Yestar Shanghai being satisfied that all information disclosed in the due diligence process by the Vendors and the Target Company remains true and accurate in all material respects, and that there are no misleading statements nor material omission;

(ii) there being no change in the principal business of the Target Company;

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

(iv) Ms. Xu having ceased to serve as supervisor in the Target Company;

(v) the audited consolidated net profit after tax of the Target Company and Nanjing Uno for the year ended 31 December 2013 shall be no less than RMB35 million. The Directors considered that subsequent to the Acquisition, the Target Company will be both the distributor of BD Products and Roche Diagnostics Products, given at the time of signing the Share Transfer Agreement, the audited results of the Target Company will not be able to reflect the performance of both the distribution rights as such the Directors considered that the consolidated results of both the Target Company and Nanjing Uno would be a reference of historical performance of both distribution rights;

(vi) all agreements executed between Nanjing Uno and BD having been expired and not renewed and the Target Company having officially become the authorized distributor of BD;

(vii) the consents from BD and Roche concerning the change in the shareholding or management of the Target Company having been obtained;

(viii) all transactions between the Target Company, Nanjing Uno and the related companies of the Vendors and its connected persons (including but not limited to Jiangsu Uno Biotechnology, Nanjing Baifu Biotechnology, Nanjing Oudai Technology and Nanjing Oudai Trading) having been terminated and no new transactions having been entered into;

(ix) all borrowings of the Target Company (including but not limited to borrowings from its employees, third parties introduced through Ms. Hang personal connections, and other short term borrowings) having been fully settled;

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

(xi) the chief financial officer delegated by Yestar Shanghai to Nanjing Uno having been appointed;

(xii) the agreements in relation to the transfer of patents, domain names, trademarks and other intellectual property rights (as specified in the Share Transfer Agreement) owned or pending registration from Nanjing Uno to the Target Company having been executed and become effective, and all necessary registrations having been made and granted by the relevant intellectual property department;

(xiii) Nanjing Uno and the Target Company having entered into a license agreement to permit the Target Company the use of the relevant intellectual property rights free of charge before the completion of the transfer of the intellectual property rights (as specified in the Share Transfer Agreement);

(xiv) Yestar Shanghai and Ms. Hang having executed the new articles of association of the Target Company with terms as specified in the Share Transfer Agreement;

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

(xvi) the list containing the names of customers of Nanjing Uno under the long-term supplier agreement having been duly executed and becoming effective;

(xvii) the audited report of the Target Company have been approved by all parties to the Share Transfer Agreement;

(xviii) the passing of necessary ordinary resolution(s) by the shareholders of the Target Company to approve the share transfer as contemplated under the Share Transfer Agreement;

(xix) if necessary, the written shareholders' approval having been obtained from a Shareholder (or a closely allied group of Shareholders) who holds more than 50% in nominal value 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 (including but not limited to the approval of the Master Sales and Purchase Agreement and the relevant annual caps for the transactions contemplated thereunder); and

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

None of the conditions precedent are capable to be waived, except for conditions (i) and (xv) which may be waived at any time before Completion by the Purchaser by notice in writing to the Vendors. 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) 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 120 days after the execution of the Share Transfer Agreement, or on such later date as mutually agreed by the parties in writing, Yestar Shanghai shall be entitled to terminate the Share Transfer Agreement by notice in writing to the Vendors, and the Vendors shall refund all monies paid (if any) in relation to the entire equity transfer in accordance with the Share Transfer Agreement.

The fulfilment of each of the conditions precedent above is subject to the review and written approval or waiver obtained from Yestar Shanghai.

As at the Latest Practicable Date, conditions precedent (v), (vii), (viii) and (ix) have been fulfilled.

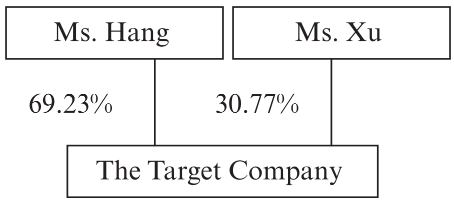
Completion

The Completion Date shall be the date of fulfilment of all the conditions precedents above.

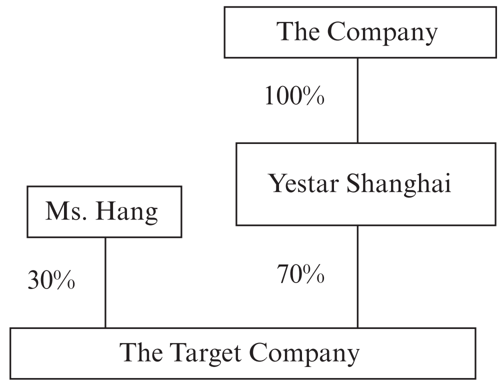
Shareholding of the Target Company before and immediately upon Completion

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

Before completion



After completion



BASIS OF CONSIDERATION

The maximum consideration of RMB245 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 earning of the Target Company as well as the business development and future prospects of the Target Company. When determining the Consideration, the Directors took into account (i) the financial performance of the Target Company for the year ended 31 December 2013 and for the six months ended 30 June 2014 which recorded a profit and a positive operating cashflow, and the Directors expected that the Target Company's result would not dilute the Group's current financial performance or liquidity; (ii) the additional contribution after entering into the distribution agreement with BD with consideration to the latest historical performance of Nanjing Uno with reference to the condition precedent of the Share Transfer Agreement that the consolidated net profit after tax of the Target Company and Nanjing Uno for the year ended 31 December 2013 shall be no less than RMB35 million. Given, the Directors considered that subsequent to the Acquisition, the Target Company will be both the distributor of BD Products and Roche Diagnostics Products, given at the time of signing the Share Transfer Agreement, the results of the Target Company will not be able to reflect the performance of both the distribution rights as such the Directors considered that the consolidated results of both the Target Company and Nanjing Uno would be a reference of historical performance of both distribution rights; (iii) the prospect of the PRC healthcare industry which is expected to have positive impact towards the Target Company's operation, the Consideration represents a price earnings ratio of approximately 12.6 times when taking into account the net profit of the Target Company for the year ended 31 December 2013 and a price earnings ratio of approximately 10 times when taking into account the consolidated net profit of the Target Company and Nanjing Uno of RMB35 million as stipulated in the conditions precedent of the Share Transfer Agreement. When considering and determining the Consideration, the Directors had made reference to a transaction of 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 price earnings ratio of 10.6 times. Beijing Baron was principally engaged in the distribution of Roche's Diagnostic Products in Beijing, the PRC.

The Directors (including the independent non-executive Directors) consider that the Consideration payable to the Vendors is fair and reasonable.

The Group will finance the cash portion of the Acquisition by the Group's internal cash resources and available banking facilities. 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 does not intend to apply the proceeds from the global offering in 2013 to fund the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading providers of color photographic paper in the PRC and a provider of a broad range of imaging products in the PRC. The Group process color 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 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 considered that with well-established extensive sales network of the Group 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 its customers. On the other hand, the Target Company 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.

The Company's focus is not only on the current profit level of the Target Company but also its growth prospect. The Board is of the view that the Acquisition represents a valuable business opportunity for the Group to develop in the medical equipment and consumable industry in the PRC and will, in the long run, broaden the Group's revenue base by expanding and diversifying the product base of the Group.

Despite Nanjing Uno held the BD distribution agreement during the year ended 31 December 2013 and during the six months ended 30 June 2014, due to the fact that the BD distribution right of Nanjing Uno have expired on 30 September 2014 and BD has granted the renewal approval on renewing the distribution agreement with Target Company up to 30 September 2015 and is in the process of finalizing the details of distribution agreement, as such given all distribution right will be under the Target Company and the acquisition of an additional company will involve additional due diligence in the legal, financial and corporate perspective which would be time consuming and costly, the Directors do not consider it necessary to acquire Nanjing Uno.

In light of the above, the Directors consider that the terms of the Share Transfer Agreement are fair and reasonable and 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 Company's business may be materially reduced if the distribution agreements entered between the Target Company and BD or Roche are terminated. If the distribution agreements with BD or Roche are terminated, no product will be available to supply the Target Company's customer which uses Roche or BD's medical equipment, which may result in materially reduced profitability of the Target Company's business.

(ii) The Roche distribution right and BD distribution right of the Target Company were not exclusive, despite as at the Latest Practicable Date, the Target Company is the only primary distributor of Roche and BD within the respective region. At any point of time, Roche and BD may at their discretion, grant primary distribution right to other parties. If Roche and BD grant primary distribution right to other parties, the Target Company's business and financial result may be adversely affected.

(iii) The Target Company relies heavily on the customer network of Nanjing Uno for its Roche Diagnostic Products. During the year ended 31 December 2013, sales to Nanjing Uno accounted for over 80% of the total sales of the Target Company. Should the Target Company be unable to enter into supplier agreement directly with Nanjing Uno's customers after Completion and the dissolution of Nanjing Uno, the business and financial result of the Target Company may be adversely affected.

(iv) Since the Group is a new player to the medical consumable business, the recruitment, training and managing of medical professionals and personnel with the requisite expertise may be increasingly costly. In the event that the Target Company fails to attract or retain a sufficient number of experienced personnel as required, the Target Company 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 Company's business, financial condition and results of operations.

(v) The hospital and healthcare service industry is competitive. Generally, the Target Company 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 Company 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 Company is unable to attract customers, the business, financial condition and results of operations may be materially and adversely affected.

(vi) 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 Company to its customers currently are not subject to price controls. The Target Company 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 Company will be subjected to price control, the Target Company may have less room to negotiate with their suppliers for better gross margins, and may generate less revenue due to the reduced sale prices.

All medical device distributors in China are required to obtain certain permits and licenses from relevant PRC governmental authorities, including sales permits and Medical Device Registration Certificate. The Target Company current holds the Permits for Medical Device Operating Enterprises — Class II and Class III (《醫療器械經營企業許可證 (蘇011181100), 《醫療器械經營企業許可證》(蘇011181100), 載明的經營範圍為II類: 6841醫用化驗和基礎設備器具, 6870軟體, III類: 6821醫用電子儀器設備 (不含植入類產品), 6822醫用光學器具、儀器及內窺鏡設備 (不含植入類產品及塑性角膜接觸鏡), 6823醫用超聲儀器及有關設備, 6830醫用X射線設備, 6840臨床檢驗分析儀器 (含體外診斷試劑), 6866醫用高分子材料及製品) issued by provincial Food and Drug Administration. The business license will expire and will be subjected to renewal in November 2017 by the provincial Food and Drug Administration. According to the relevant announcement issued by provincial Food and Drug Administration, in order to renew the above mentioned business license, the Target Company will have to (i) submit the relevant application together with relevant supporting documents six months prior to the expiry date of the business license and (ii) the Target Company shall have no outstanding non-compliance cases unsettled with the provincial Food and Drug Administration or have outstanding duty to perform as a result of any non-compliance cases. As at the Latest Practicable Date, the Target Company were not involved in any non-compliance cases. Although the Target Company intends to apply for the renewal of these permits, licenses and certifications when required by applicable laws and regulations, there can be no assurance that the Target Company will successfully procure such renewals. Any inability to renew these permits, licenses and certifications could severely disrupt the Target Company's business, and prevent the Target Company from continuing to carry on its business.

(vii) Since the Target Company's 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.

(viii) 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 enter into a later stage in their lifecycles, the gross margins of those products may decrease, which will affect the Target Company's onward sales to its customers.

(ix) 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 Company. 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 Company.

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

OVERVIEW OF THE PRC HEALTHCARE INDUSTRY

According to the report issued by McKinsey & Company in July 2012, PRC's healthcare sector continues to develop at an astonishing rate. Expenditure on healthcare have more than doubled from US$156 billion in 2006 to US$357 billion in 2011, inching closer to 5 percent of the country's gross domestic product. Medical devices and equipment companies have also built China business that have annual revenues of more than US$1 billion and are still expanding rapidly. The nation's healthcare spending is projected to US$1 trillion in 2020. The growth was virtually from every health sector from pharmaceuticals to medical devices to traditional Chinese medicine. The growth in the PRC healthcare industry is considered to be fueled by the continuing urbanization, the increase in disease burdens, the healthy expansion of the overall economy, growth in incomes which allow greater awareness of and access to treatments and the government's focus on healthcare as both a social priority and a strategic one.

In respect of the PRC medical device industry, according to the medical industry development status report 2013 issued by Medical Device Sub-Association of China Medical Pharmaceutical Material Association (中國醫藥物資協會醫療器械分會), the medical device industry market recorded a compound annual growth rate of approximately 21.3% between 2000 to 2010 and reached approximately RMB120 billion in 2011. It is expected that the medical device market will continue to grow and will reach approximately RMB300 billion in 2015, representing an estimated compound annual growth rate of approximately 25.7%.

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 Company

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 permit 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 the 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.

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 and amended on 27 August 2009 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 their goods or services lead to the death or injuries of patients or other third parties.

INFORMATION OF THE PURCHASER

The Purchaser is a direct wholly-owned subsidiary of the Company, established in the PRC with limited liability on 20 July 2000. The Purchaser principally engages in marketing and sales of color photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films.

INFORMATION OF THE VENDORS

The Vendors, namely Ms. Hang and Ms. Xu, are private investors in the medical equipment industry, holding 69.23% and 30.77% equity interest in the Target Company respectively as at the Latest Practicable Date. Ms. Hang and Ms. Xu are also the general manager and supervisor of the Target Company respectively as at the Latest Practicable Date. Apart from their shareholding in the Target Company, Ms. Hang and Ms. Xu also hold 95% and 5% interest respectively in Nanjing Uno as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors are third parties independent of the Company and connected persons of the Company.

INFORMATION ON NANJING UNO

Nanjing Uno is a company established in the PRC with limited liability. The scope of business of Nanjing Uno includes the licensing of the medical device business (in accordance with the "**Permits for Medical Device Operation Enterprises**"). General business of the Nanjing Uno include the provision of research and development and consulting services for medical device, hardware, mechanical and electrical device, office equipment, merchandising goods (including, electronics, machinery, leasing and maintenance of medical device) and conference services. The registered capital of Nanjing Uno is RMB5 million, of which Ms. Hang is interested in RMB4.75 million of the issued share capital (representing approximately 95%) and Ms. Xu is interested in RMB0.25 million of the issued share capital (representing approximately 5%).

Major customers of Nanjing Uno include medical equipment distributors and hospitals located in Anhui and Jiangsu. Products and services provided to their customers include but not are limited to sales and distribution of medical equipment, medical device research and development and medical equipment consultation. The major suppliers of Nanjing Uno are the Target Company and BD who supplies medical equipment for Nanjing Uno to distribute in Jiangsu. Please refer to Appendix IV to this circular for details of the long-term supplier agreements and distribution agreements entered into by Nanjing Uno.

Nanjing Uno currently owned one trademark and one domain name, for details for the trademark and domain names owned by Nanjing Uno, please refer to Appendix IV to this circular for further details.

The BD distribution agreement entered into between Nanjing Uno and BD expired on 30 September 2014. The Target Company have enter into similar distribution agreements as entered into by Nanjing Uno and the Target Company will continue to renew the distribution agreement with BD after expiry.

The management of the Group conducted certain due diligence on Nanjing Uno including but not limited to obtaining (i) the customers list of Nanjing Uno and (ii) the contracts entered into between Nanjing Uno and the respective customers. The management of the Group has also made enquiry with the staff of Nanjing Uno's marketing and sales department. From the result of reviewing the above mentioned documents and from the result of the management's enquiry, the Group is not aware of any on-going disputes between Nanjing Uno and their customers. Besides, since the legal entity which entered into the agreements with the customers previously before the Acquisition was Nanjing Uno and after completion such agreement will cease and Nanjing Uno shall procure the Target Company to enter into a new supplier agreement with the respective customer, should any dispute arise, the Target Company will not be subject to.

The Directors have also obtained from Nanjing Uno a confirmation, confirming that they have no on-going disputes with their customers.

Furthermore, according to the confirmation of Nanjing Uno and from the discussion and enquiry conducted by the management of the Group with Ms. Xu and Ms. Hang, Nanjing Uno, Ms. Xu and Ms. Hang did not have any non-compliance record in respect of the business operation of Nanjing Uno.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. The scope of business of the Target Company includes the licensing of the medical device business (in accordance with the "**Permits for Medical Device Operation Enterprises**"). General business of the Target Company include the provision of research and development and consulting services for medical device, hardware, mechanical and electrical device, office equipment, merchandising goods (including, electronics, machinery, leasing and maintenance of medical device) and conference services. The registered capital of the Target Company is RMB26 million, of which Ms. Hang is interested in RMB18 million of the issued share capital (representing approximately 69.23%) and Ms. Xu is interested in RMB8 million of the issued share capital (representing approximately 30.77%). The Target Company currently holds distribution right of Roche Diagnostics Products in Anhui and Jiangsu. Roche Diagnostics Products distributed by the Target Company include Centralized Diagnostics Products and Tissue Diagnostics Products.

The Target Company was established on 5 December 2011 with a registered capital of RMB5 million at the time of establishment. In January and June 2013, the registered capital of the Target Company increased to RMB18 million and RMB26 million, respectively. The Target Company obtained the Permits for Medical Device Operation Enterprises (valid until 20 November 2017) approved and issued by Jiangsu Food and Drug Administration on 21 November 2012. Subsequent to obtaining the distribution right for Roche Diagnostics Products in 2013, the Target Company offers Roche Diagnostics Products to distributors within its distribution area covering Jiangsu and Anhui Provinces, the PRC. The Target Company obtained a one month distribution right from BD in September 2014 and is in the process in renewing the distribution agreement with a longer term. Upon completion of the renewing of the distribution agreement with BD, the Target Company will hold the distribution right of Roche Diagnostics Products and BD Products in the respective relevant areas.

Prior to the entering into the Share Transfer Agreement, the Target Company was the distributor of Roche Diagnostics Products and was a party to the distribution agreement with Roche, while Nanjing Uno was the distributor of BD Products and was a party to the BD distribution agreement. Prior to the entering into the Share Transfer Agreement, Nanjing Uno also sold Roche Diagnostic Products to its customer and Nanjing Uno was one of the local distributors of the Target Company and accounted for approximately 80% of the sales of the Target Company. After Nanjing Uno purchased Roche Diagnostic Products from the Target Company, Nanjing Uno will sell the Roche Diagnostic Products to Nanjing Uno's local distributors and to its ultimate customers such as hospitals and clinics.

After Completion, the Target Company will also be the distributor of BD Products and pursuant to the non-competition agreement, despite Nanjing Uno will continue to be one of the local distributor of the Target Company, Nanjing Uno will act similar to a handling agent for the Target Company, without realizing profit from the sales to its customers (for both Roche Diagnostics Products and BD Products until the Target Company enters into supplier agreement with its customers).

(i) Business operation of the Target Company

As at the Latest Practicable Date ,being a distributor of Roche Diagnostic Products and BD Products, the Target Company will enter into supplier agreement with customers including local distributors and ultimate customers such as hospitals and clinics within the region. According to the supplier agreement the Target Company will also lease to customers (upon their request and for most cases), medical equipment (provided by Roche and BD with no cost). The rent on the medical equipment is of an insignificant amount and in most circumstances will be waived when the customer reaches a certain level of purchase amount for medical equipment consumables. It is noted that the medical equipment rented to the customers are owned by Roche and BD respectively and according to the distribution arrangement, both Roche and BD did not charge the Target Company rental cost on the medical equipment which were supplied to the Target Company for the Target Company to lease out to its customers. The Target Company's revenue from leasing of the medical equipment was not subjected to revenue sharing arrangement with Roche and BD. The Target Company will only be responsible for repair and maintenance cost of the medical equipment leased to its customers. The Target Company generate substantial amount of revenue from the sales of medical equipment consumables and the leasing of medical equipment only accounted for less than 5% of the Target Company's revenue during the year ended 31 December 2013 and for the six months ended 30 June 2014. From time to time at the request of the customer, the Target Company might also sell the medical equipment to its customer above cost or even below cost as an incentive for them to purchase the Target Company's medical equipment consumable products.

Sales channel of the Target Company during the two years ended 31 December 2013 and for the six months ended 30 June 2014, include sales to Nanjing Uno and local distributors. The sales to Nanjing Uno and local distributors accounted for approximately 83% and approximately 17% respectively of the total revenue of the Target Company for the six months ended 30 June 2014. According to the Directors, as at the Latest Practicable Date, the Target Company commenced sales to ultimate customers and the sales channel of the Target Company will continue to include direct sales to ultimate customers and sales to local distributors (including Nanjing Uno before its dissolution) after Completion.

The Target Company will make the purchasing decision based on the last 3 months' sales and the current inventory. For Roche's products, the Target Company will place the purchasing order through Roche's purchasing system and Roche will normally deliver the products to the Target Company within 3 days through their own logistic system. Roche provides the Target Company 60 days of credit terms. For BD Products, the Target Company will place the purchase order through BD's purchasing system. Since no credit period was granted by BD to the Target Company, payment will be made upon ordering the products and BD will normally deliver the products to the Target Company within 3–5 days after receiving the payment through the qualified third party logistic companies.

The customers will place the purchasing order through the email or telephone to the Target Company. The Target Company will deliver the products within 1–2 days to the customers through the qualified third party logistic company. For the majority of the customers, no credit period will be granted and delivery will only be made after receipt of the full payment of the products. For certain major customers, a credit period of 6 months will be granted.

Revenue generated by the Target Company from the sales of Roche Diagnostics Products and the BD Products were not subject to revenue sharing arrangement with Roche and BD.

Roche is the key supplier of the Target Company. The purchases of the Target Company from Roche accounted for almost 100% of the Target Company's total purchases. Nanjing Uno is the key customer of the Target Company. Sales of the Target Company to Nanjing Uno accounted for approximately 80% of the Target Company's total sales. The Target Company currently has not entered into any contract with Nanjing Uno for any transaction but has entered into written distribution agreement with Roche for the relevant products.

Despite the distribution right of Roche and BD were neither nationwide nor exclusive in the respective region (ie. for Roche, distribution covered Jiangsu Province (except Suzhou, Wuxi, Changzhou and Zhenjiang) and Anhui Province while for BD, distribution covered Jiangsu Province), according to the understanding from the management of the Target Company, the Target Company is the only primary distributor of Roche and BD in the respective regions. Since the local distributors had already formulated sales network with end-customers using Roche or BD medical equipment and the hospitals which had also been using Roche or BD medical equipment and to which the Target Company and Nanjing Uno directly supplies medical equipment consumables which must be purchased from Nanjing Uno and after Nanjing Uno's dissolution, from the Target Company unless the customer discontinue to use the medical equipment of Roche or BD. In addition, Roche and BD have inserted barcodes on the packaging of the medical products to manage and prevent distributors from selling products outside their authorized regions; should there be any violations, the distributor may be subject to light penalties including reduced credits or additional amounts may be imposed on the chain of products, while more severe penalty may include the termination of the distribution agreement. As such the Directors considered that it is unlikely that the customers of the Target Company or the current customers of Nanjing Uno will discontinue to purchase Roche Diagnostics Products and BD Products from the Target Company.

Sales of Roche Diagnostics Products and BD Products to local distributors

Apart from selling of Roche Diagnostics Products and BD Products directly to ultimate customers such as hospitals and clinics in Anhui and Jiangsu Provinces the PRC, the Target Company itself or through Nanjing Uno will also sell Roche Diagnostics Products and BD Products (including medical equipment upon request) and lease medical equipment to local distributors which engages in distribution of medical related products in 2nd and 3rd tier cities of Anhui and Jiangsu Provinces, the PRC. For details of the revenue contributed by the local distributors to the Target Company and Nanjing Uno during the year ended 31 December 2013 and for the six months ended 30 June 2014, please refer to Appendix IV "Additional Information of Nanjing Uno and the Target Company" to this circular.

According to the Vendors' best understanding, the Target Company during the two years ended 31 December 2013 and for the six months ended 30 June 2014 engaged nil, 86 and 90 local distributors respectively (excluding Nanjing Uno). The local distributors of the Target Company as at the Latest Practicable Date have 1 to 1.5 years of business relationship with the Target Company. Major ultimate customers of the local distributors include hospitals and clinics located in Maanshan, Changzhou, Pei County and Feng County of Jiangsu Province and Xuancheng Anhui Province, with grading ranging from 1A to 3A.

The local distributors have been supplying their ultimate customers with the full range of the Roche Diagnostics Products and BD Products (including the sales and/or leasing medical equipment upon request) currently distributed by the Target Company. For details of the Roche Diagnostics Products and BD Products supplied by the Target Company, please refer to Appendix IV "Additional Information of Nanjing Uno and the Target Company" of this circular.

The sales arrangement between the Target Company and the local distributors were the same as compared to the sales arrangement between the ultimate customers of the Target Company and the Target Company. The local distributors will place the purchasing order through email or telephone to the Target Company. The Target Company will deliver the products within 1-2 days to the local distributors through the qualified third party logistic company. For the majority of the distributors, no credit period will be granted and delivery will only be made after receipt of the full payment of the products. For certain major distributors, a credit period of 30 days will be granted. Recognition of sales of goods and transfer of legal titles of the Roche Diagnostics Products and BD Products will be upon the successful delivery of the Roche Diagnostics Products and BD Products, in which the risk and reward of the ownership of the product is transferred to the customer based on the contractual terms. For the sales to Nanjing Uno, revenue was recognized upon the delivery of products to Nanjing Uno's designated recipient. Sales returns are only permitted under the circumstance that there is quality issue of the products. Revenue was recognized after netting off such sales returns, the Target Company did not experience any material sales return from the local distributors for the two years ended 31 December 2013 and for the six months ended 30 June 2014. The above mentioned arrangement also applies to the sales made by Nanjing Uno to its local distributors and ultimate customers.

The Company's auditors are of the view that, the Target Company's revenue recognition policy and sales return policy is consistent with the Group's accounting policy.

Due to the current scale of the sales team of the Target Company, the sales network and customer services support of the Target Company are unable to reach every city and county of the Anhui and Jiangsu Province, the PRC. In view of such, to enhance the sales coverage of the Target Company's products, the Target Company engages local distributors to cover remote locations in the 2nd and 3rd tier cities within Anhui and Jiangsu Province, the PRC. In addition, sales to local distributors were mostly on cash before or upon delivery basis, by which the engagement of the local distributors will decrease the Target Company's credit risk and the operational burden on stock keeping and delivery.

Pricing of the supplier contracts between the local distributors and their ultimate customers were based on their business negotiation. To govern the on-going supplier relationship between the local distributor and their ultimate customers, the supplier contracts entered into between the Target Company and the local distributors have limited their supply of products to designated hospitals and/or regions. Such designated hospitals and regions were not covered by the current direct sales network of the Target Company or Nanjing Uno. In addition, for each new ultimate customer of the local distributors, the Target Company will accompany the local distributor to provide product introduction information session to the new ultimate customer. As such the Target Company will be able to ensure the local distributors will not sell products to any of the Target Company's or Nanjing Uno's ultimate customers.

According to the management of the Target Company, regular inspection will also be conducted by the Target Company to ensure the medical consumable products used by the customers were products distributed directly or indirectly by the Target Company. Data cross-checking will also be performed on the sales quantity of the Target Company to the usage data recorded by the medical equipment provided by the Target Company and the inventory level of the respective ultimate customers of the Target Company and its local distributors.

As at the Latest Practicable Date, the Target Company and Nanjing Uno had not committed any violation on unauthorized sales of products outside the authorized regions.

According to the management of the Target Company, during the two years ended 31 December 2013 and up to the Latest Practicable Date, the local distributors of the Target Company are independent from the Target Company's directors, senior management and employees. According to the Directors, the local distributors of the Target Company are third parties independent of the Company and its connected persons.

After the completion of the Acquisition, the Target Company will continue to treat Nanjing Uno as one of the local distributors of the Target Company (save as Nanjing Uno will not earn any profit from the sales transaction between Nanjing Uno and its ultimate customers). Nanjing Uno will place orders with the Target Company based on the actual demand of its customers. Sales will be recognized upon successful delivery of goods to the customers of Nanjing Uno by the Target Company.

(ii) Products of the Target Company

As at the Latest Practicable Date, the products distributed by the Target Company include Roche Diagnostics Products and BD Products. Roche has been the largest supplier of in-vitro Diagnostics Products in the PRC thanks to the high quality and wide variety of its products. Leveraging on its close ties within the industry, Roche stays abreast of the development of the medical and healthcare sectors and offers the most advanced products. Roche Diagnostics Products distributed by the Target Company are high-throughput analyzers with high sensitivity and specificity for a wide range of diseases. These high-end diagnostics products are widely used by large general hospitals in the PRC. The main applications of Roche Diagnostics Products distributed by the Target Company are demonstrated as follows: tumor screening based on morphology of related cells/tissues and molecular biomarkers; infectious disease testing based on quantitative antigen-antibody reactions; genetic disease diagnosis on account of DNA mutations and expressions of relevant protein biomarkers; portable bedside diagnostics according to biochemical parameters of blood routine examinations and detection of endocrine/metabolic diseases by contents and biochemical index of urine.

The BD Products and corresponding consumables offered by the Target Company have high precision, accuracy and reliability. These high-end diagnostics products are widely applied by bioscience research institutes and some medical institutes with large screening departments or clinical laboratories in the PRC. The primary type of BD products distributed by the Target Company are flow cytometry applying to cell sorting/counting from blood samples and microorganism identification and drug sensitive analysis on body fluid samples from infectious disease.

Generally speaking, the Roche Diagnostic Products and the BD Products are mostly used in performing medical 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 Diagnostic Products or BD 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 Diagnostic Products or the BD 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.

For details of the performance data of BD Products and Roche Diagnostic Products sold by Nanjing Uno, please refer to Appendix IV to this circular.

(iii) Supplier of the Target Company

Roche is a subsidiary of Roche Holding AG. According to the public information available, 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.

BD is one of the largest medical device and reagent suppliers that is focused on the research and development of diagnosis and drugs of infectious diseases. With strong research and development capacity and abundant infectious disease research experience, BD offers professional services to laboratories of medical institutions and bioscience research institutes.

(iv) Development strategies of the Target Company

In addition to the existing team, it will recruit additional sales staff according to its practical business needs in order to rapidly secure new markets by expanding into new market areas in Anhui while reinforcing its current end-customers and distributors in Jiangsu and Anhui, as well as engaging additional distributors in the secondary market while developing its own end-customer base. The Directors considered that following the entering into of the supplier agreement with Nanjing Uno's customer in the coming months and taking into account the upcoming progress of the Completion, the management of the Target Company will consider i) recruiting additional headcount in handling the new customers; ii) enlarging its product portfolio by expanding microbial testing and immunoassay product lines and obtaining distribution rights for personalized cancer genome tests in the future so as to capitalize on the development of clinical diagnostic technologies. In order to expand the product portfolio, the management of the Target Company will upon Completion commence negotiation will BD and Roche, to discuss with them the possibility in distribute additional products ranges under their respective brands; iii) strengthening its sales channels and network and, therefore, the Target Company will commence early infrastructural investment within three years after Completion in order to provide comprehensive solutions to screening departments of some key hospitals in the future. Early infrastructural investment including upgrading of the Target Company's IT system to enhance inventory management and setting up warehouse and distribution center in more locations to facilitate prompt delivery of products to hospital. The Directors estimated that it is still in a very early stage of planning and the above mentioned investment is expected to be funded by internal financial resources of the Target Company.

(v) Related parties transactions of the Target Company

As confirmed by the Target Company, in addition to Nanjing Uno, the Target Company has entered into transactions with related companies of the Vendors and its connected persons (the "Relevant Entities"), including:

- Jiangsu Uno Biotechnology, which Ms. Hang is one of the shareholders as at the Latest Practicable Date;

- Nanjing Baifu Biotechnology, which Ms. Jiang Xuan Mei, mother of Ms. Hang, is one of the shareholders as at the Latest Practicable Date;

- Nanjing Oudai Technology, which Ms. Hang is one of the shareholders as at the Latest Practicable Date; and

- Nanjing Oudai Trading, which Nanjing Oudai Technology is one of the shareholders as at the Latest Practicable Date and Ms. Hang is one of the shareholders of Nanjing Oudai Technology.

Since its establishment in December 2011, the Target Company has been involved in business relationships with Nanjing Uno for the supply of Roche Diagnostics Products and with the Relevant Entities in money lending and current account transactions.

Pursuant to the accountant's report of the Target Company, the money lending and current account transactions were non-trade 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 money lending and current account transactions were not within the permitted business activities of the Target Company. Based on confirmation of the Target Company, given such transactions was non-interest bearing and were all terminated as at the Latest Practicable Date and according to the PRC Legal Adviser of the Company, the relevant rules and regulations have not stated any clear penalty for non-interest bearing transaction, the PRC Legal Adviser of the Company was not aware of such money lending and current account transactions will have any significant impact on the Target Company's operation and should any penalty shall be imposed against the Target Company in the future, according to the Share Transfer Agreement, such penalty shall be indemnified by the Vendors. The PRC Legal Adviser of the Company, is further of the view that the previous entering into such money lending and current account transactions will not affect the Target Company renewal of its Permits for Medical Device Operating Enterprises — Class II and Class III in 2017 upon its expiry date.

As confirmed by the Target Company, all the transactions between the Target Company, Nanjing Uno and the Relevant Entities have terminated as at the Latest Practicable Date.

(vi) Financial information

Based on Target Company's audited accounts for the period ended 30 June 2014, the audited net assets value of the Target Company was amounted to RMB72.0 million as at 30 June 2014.

Set out below is the audited financial performance of the Target Company for the two years ended 31 December 2013:

	Financial year ended 31 December 2012 *(approximately RMB' million)*	2013 *(approximately RMB' million)*
Audited consolidated (loss)/profit before taxation	(0.3)	37.2
Audited consolidated (loss)/profit after taxation	(0.3)	27.8

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

(vii) Management expertise of the Target Company

The daily operation and management of the Target Company will be overseen by the Board and the management team of the Target Company would be retained. A chief financial officer ("CFO") will also be appointed by the Board to the Target Company to oversee the Target Company's financial performance. The senior management team of the Target Company after Completion shall be comprised of a general manager, a CFO and two marketing and sales directors. Please see below for the qualification and experience of the senior management team of the Target Company:

Ms. Hang Wenxia, aged 47, is the general manager of the Target Company. Ms. Hang has been the general manager since the establishment of the Target Company and is responsible for the overall strategic development of the Target Company's business as well as implementing its strategic objectives and business plans and overseeing the management and operations. Ms. Hang has over 20 years of experience in the sales & distribution of medical device and consumables.

Ms. He Yan, aged 46, will be appointed as CFO of the Target Company and Nanjing Uno by the Company. Ms. He will be responsible for overseeing the operation of finance and accounting division in both of the companies. Ms. He has over 14 years of experience in PRC financial accounting and auditing and she joined Yestar Shanghai as the head of finance and accounting in Wuhan in 2001. In addition, upon Completion, the company stamp and the financial stamp of Nanjing Uno shall also be safely kept by the CFO and every agreement to be entered into and every payment paid by Nanjing Uno subsequently must also obtain prior consent from the CFO.

Ms. Hu Rong, aged 33, is the marketing and sales director in Anhui Province, the PRC. Ms. Hu is responsible for implementing the Target Company's strategic objectives and business plans and overseeing the management and operations in Anhui Province. Ms. Hu has over 10 years of experience in the sales and distribution of medical device and consumables and she joined Nanjing Uno in 2008.

Mr. Wang Yu, aged 39, is the marketing and sales director in Jiangsu Province. Mr. Wang is responsible for implementing the Target Company's strategic objectives and business plans and overseeing the management and operations in Jiangsu Province. Mr. Wang has over 12 years of experience in the sales and distribution function and over 4 years of experience in the sales and distribution of medical device and consumables and he joined Nanjing Uno in 2010.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

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

(i) Assets and liabilities

Based on the unaudited consolidated financial statements of the Group as at 30 June 2014, the unaudited net asset value of the Group was amounted to approximately RMB347.2 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 30 June 2014 as set out in Appendix III to the circular, the total assets of the Enlarged Group would increase by approximately RMB206.2 million to approximately RMB855.9 million, which was mainly attributable to the recognition of goodwill amounted to HK$194.6 million. Total liabilities of the Enlarged Group would also increase by approximately RMB168.4 million to approximately RMB488.8 million, which was mainly due to the consolidation of the Target Company's liabilities and the increase in borrowing as a result of financing the Acquisition.

Accordingly, the unaudited net asset value of the Enlarged Group will increase by approximately RMB19.8 million to approximately RMB367.1 million.

(ii) Gearing

As at 30 June 2014, the Group had interest-bearing bank loans amounted to RMB78.6 million, while the Target Company had no borrowings from financial institutions as at 30 June 2014. As the Group intended to finance approximately 50% of the Consideration by way of interest-bearing bank loans, it is expected that upon Completion, the gearing of the Enlarged Group will increase accordingly.

(iii) Earnings

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

LISTING RULES IMPLICATIONS

As the applicable 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 Acquisition 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 are third party independent of the Company and its connected persons, and do 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 approval has been obtained on 11 September 2014 from the Controlling Shareholders who, as at the Latest Practicable Date, altogether held approximately 71.06% in nominal value of the Shares then in issue giving the right to attend and vote at that general meeting (if the Company were to convene one), approving 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 2011, 2012 and 2013 and the six months ended 30 June 2014 have been set out in the Company's prospectus, annual reports and interim report 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 August 2014, 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 RMB109,268,257 which was comprised of:

	As at 31 August 2014
	RMB'000
Interest-bearing bank loans:	
Unsecured	109,268
Repayable:	
Within one year	109,268

Contingent Liabilities:

As at the close of business on 31 August 2014, 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 August 2014.

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 2013, 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 enhanced. This is a strategic participation in a promising sub-sector of the large and fast growing medical device and consumables industry in China. The Group will consolidate the success of the Target Company, 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 Company will continue to concentrate on the sales of Roche and BD diagnostics 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 Company.

1. ACCOUNTANTS' REPORT OF THE TARGET COMPANY

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

24 October 2014

The Directors
Yestar International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Jiangsu Uno Technology Development 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 5 December 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 and the six months ended 30 June 2014 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012 and 2013 and 30 June 2014, together with the notes thereto, (the "Financial Information"), and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for the six months ended 30 June 2013 (the "Interim Comparative 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 24 October 2014 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was incorporated in the People's Republic of China (the "PRC") as a company with limited liability on 5 December 2011.

For the purpose of this report, the directors of the Target Company have 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 5 December 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 and the six months ended 30 June 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.

Directors' responsibility

The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative 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 and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion 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").

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 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 and 2013 and 30 June 2014 and of the results and cash flows of the Target Company for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

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

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

	Notes	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	Six months ended 30 June 2014
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
REVENUE	7	—	187,555	49,768	156,523
Cost of sales		—	(142,868)	(38,736)	(125,099)
Gross profit		—	44,687	11,032	31,424
Other income and gains	7	3	12	6	27
Selling and distribution costs		—	(221)	(120)	(820)
Administrative expenses		(288)	(7,053)	(1,830)	(5,698)
Other expenses		—	(205)	(1)	(204)
PROFIT/(LOSS) BEFORE TAX	8	(285)	37,220	9,087	24,729
Income tax expense	11	—	(9,460)	(2,279)	(6,221)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(285)	27,760	6,808	18,508
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		(285)	27,760	6,808	18,508
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:					
Owners of the parent		(285)	27,760	6,808	18,508
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD ATTRIBUTABLE TO:					
Owners of the parent		(285)	27,760	6,808	18,508

Statements of Financial Position

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 June 2014 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	—	956	1,538
		—	956	1,538
CURRENT ASSETS				
Inventories	14	—	29,183	24,599
Trade receivables	15	—	3,092	3,934
Prepayments, deposits and other receivables	16	1,100	2,615	1,557
Amount due from the controlling shareholder	17	42	22,465	9,718
Amount due from fellow subsidiaries	18	1,097	68,462	84,836
Cash and cash equivalents	19	2,958	1,502	9,689
		5,197	127,319	134,333
CURRENT LIABILITIES				
Trade payables	20	—	56,663	41,306
Other payables and accruals	21	—	2,341	3,015
Amount due to the controlling shareholder	18	482	—	—
Amount due to fellow subsidiaries	18	—	6,412	5,292
Tax payable		—	9,384	14,275
		482	74,800	63,888
NET CURRENT ASSETS		4,715	52,519	70,445
TOTAL ASSETS LESS CURRENT LIABILITIES		4,715	53,475	71,983
Net assets		4,715	53,475	71,983
EQUITY				
Equity attributable to owners of the parent				
Issued capital	22	5,000	26,000	26,000
Retained earnings	23	(285)	27,475	45,983
Total equity		4,715	53,475	71,983

Statements of Changes in Equity

	Paid-in capital	Statutory reserve	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 5 December 2011 (date of incorporation)	3,000	—	—	3,000
Loss and total comprehensive income for the period	—	—	(285)	(285)
Capital contribution	2,000	—	—	2,000
At 31 December 2012 and 1 January 2013	5,000	—	(285)	4,715
Profit and total comprehensive income for the year	—	—	27,760	27,760
Capital contribution	21,000	—	—	21,000
At 31 December 2013 and 1 January 2014	26,000	—	27,475	53,475
Profit and total comprehensive income for the period	—	—	18,508	18,508
At 30 June 2014	26,000	—	45,983	71,983

	Paid-in capital	Statutory reserve	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	5,000	—	(285)	4,715
Profit and total comprehensive income for the period	—	—	6,550	6,550
Capital contribution	13,000	—	—	13,000
At 30 June 2013 (unaudited)	18,000	—	6,265	24,265

Statements of Cash Flows

	Notes	The Period from 5 December 2011 to 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Six months ended 30 June 2013 RMB'000 (Unaudited)	Six months ended 30 June 2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(285)	37,220	9,087	24,729
Adjustments for:					
Depreciation	8	—	198	63	226
Amortization of prepaid land lease payments	8	—	—	—	—
(Increase) in trade receivables		—	(3,092)	(5,492)	(842)
(Increase)/decrease in prepayments, deposits and other receivables		(100)	(2,515)	(3,126)	1,058
(Increase)/decrease in inventories		—	(29,183)	(23,862)	4,584
(Increase) in amounts due from fellow subsidiaries		(1,098)	(67,365)	(38,820)	(15,993)
Increase/(decrease) in trade payables		—	56,663	46,925	(15,357)
Increase in other payables and accruals		—	2,265	3,539	674
Income tax paid		—	(76)	—	(1,330)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(1,483)	(5,885)	(11,686)	(2,251)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		—	(1,078)	(682)	(808)
Cash paid from acquisition of a long-term investment		(1,000)	—	—	—
Increase in an amount due from other related party		—	—	(1,433)	(381)
Cash received from disposal of a long-term investment		—	1,000	—	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,000)	(78)	(2,115)	(1,189)

	Notes	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	2014
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution from the Controlling Shareholders		2,000	21,000	13,000	—
(Increase)/decrease in amounts due from the Controlling Shareholders		441	(22,905)	(612)	12,747
Increase in amounts due to fellow subsidiaries		—	4,000	—	158
Increase/(decrease) in amounts due to other related parties		—	2,412	—	(1,278)
NET CASH FLOWS GENERATE FROM/(USED IN) FINANCING ACTIVITIES		2,441	4,507	12,388	11,627
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(42)	(1,456)	(1,413)	8,187
Cash and cash equivalents at beginning of year/period		3,000	2,958	2,958	1,502
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		2,958	1,502	1,545	9,689

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Jiangsu Uno Technology Development Company Limited (the "Target Company") was incorporated on 5 December 2011 with limited liability in the PRC. The registered office of the Target Company is located at Unit 701, 301 Hanzhongmen Street, Nanjing, Jiangsu.

The Target Company is principally engaged in the distribution of medical equipment and associated consumables business in the PRC.

In the opinion of the directors of the Target Company, the ultimate controlling shareholder of the Target Company is Ms. Hang Wenxia ("Ms. Hang").

2. BASIS OF PREPARATION

The Financial Information has 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 has 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]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[1]
IFRS 11	*Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[2]
IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation and amendments to IAS 16 and IAS 38*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013[1]

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

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

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Company's investments in joint ventures are stated in the consolidated statement of financial position at the Target Company's share of net assets under the equity method of accounting, less any impairment losses.

The Target Company's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Target Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Target Company and its associates or joint ventures are eliminated to the extent of the Target Company's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Target Company's investments in associates or joint ventures.

The results of joint ventures are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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 recognized 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 statements of 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 recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statements of 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 group;

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, other than construction in progress, 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 statements of 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 recognized 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:

Leasehold improvements	The shorter of the lease terms and their useful lives
Motor vehicles	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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statements of profit or loss in the year the asset is derecognized 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 recognized 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 recognized 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 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 amortized cost using the effective interest rate method less any allowance for impairment. Amortized 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 amortization is included in finance income in the statements of profit or loss. The loss arising from impairment is recognized 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 group of similar financial assets) is primarily derecognized (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 has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognize the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognizes 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 an impact on the estimated future cash flows of the financial asset or the Target Company 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 reorganization 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 amortized 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 assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized 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 recognized 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 realized 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statements of 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 recognized 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 accruals, 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 amortized 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 recognized in the statements of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized 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 amortization is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable 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 recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Revenue recognition

Revenue is recognized 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 schemes

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 20% of its payroll costs to the central pension scheme. 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 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.

(i) 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. An 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 and its value in use. The calculation of the fair value less costs of disposal 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.

(ii) 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.

(iii) 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.

(iv) Net realizable value of inventories

Net realizable 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 business 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 Relevant Periods, more than 80% of the total revenue was derived from a single customer as follows:

		The Period from 5 December 2011 to 31 December 2012	**Year ended 31 December 2013**	**Six months ended 30 June 2013**	**Six months ended 30 June 2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Nanjing Uno Technology Development Company Limited*	26(a)	—	150,601	37,121	130,041

* Nanjing Uno Technology Development Company Limited ("Nanjing Uno") is a fellow subsidiary of the Target Company in which the ultimate controlling shareholder is Ms. Hang.

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 is presented in accordance with IFRS 8 *Operating Segments*.

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:

	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	Six months ended 30 June 2014
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue				
Sales of goods	—	187,555	49,768	156,523
Other income and gains				
Interest income	2	12	6	27
Others	1	—	—	—
	3	12	6	27

8. (LOSS)/PROFIT BEFORE TAX

The Target Company's profit for the Relevant Periods is arrived at after charging/(crediting):

	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	Six months ended 30 June 2014
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of inventories sold	—	142,868	38,736	125,099
Employee benefit expense (excluding Directors' remuneration as set out in note 9):				
Wages and salaries	—	2,829	774	3,607
Pension scheme contributions	—	129	—	96
Social security contributions	—	138	2	242
Auditors remuneration	—	2	2	10
Depreciation of items of property, plant and equipment *(note 13)*	—	198	63	226
Minimum lease payments under operating leases	283	738	306	306

9. DIRECTORS' REMUNERATION

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

	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June	
			2013	2014
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	—	96	48	59
Discretionary bonuses	—	408	—	211
	—	504	48	270

The sole director of the Target Company during the Relevant Periods was Ms. Hang.

The Target Company did not appoint chief executive, and the duty of chief executive was performed by the director.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees did not include any 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:

	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June	
			2013	2014
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	—	228	114	140
Discretionary bonuses	—	1,004	502	553
	—	1,232	616	693

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

	From date of incorporation 5 December to 31 December	Year ended 31 December		Six-month period ended 30 June	
	2011	2012	2013	2013	2014
				(unaudited)	
Nil to RMB$150,000	—	—	—	5	5
RMB150,001 to RMB$300,000	—	—	5	—	—
	—	—	5	5	5

11. INCOME TAX EXPENSE

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

The major components of income tax expense are as follows:

	The Period from 5 December 2011 to 31 December	Year ended 31 December	Six months ended 30 June	
	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Current tax	—	9,460	2,279	6,221
Deferred tax	—	—	—	—
Total tax charge for the year/period	—	9,460	2,279	6,221

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 rates is as follows:

	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	Six months ended 30 June 2014
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit before tax	(285)	37,220	9,087	24,729
Tax at the statutory tax rate	(71)	9,299	2,234	6,195
Expenses not deductible for tax	—	161	45	26
Tax losses not recognized	71	—	—	—
Tax charge at the Target Company's effective tax rate	—	9,460	2,279	6,221

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 vehicle	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*
At 5 December 2011 (date of incorporation), 31 December 2012 and 1 January 2013			
Cost	—	—	—
Accumulated depreciation	—	—	—
Net carrying amount	—	—	—
Net carrying amount:			
At 1 January 2013	—	—	—
Additions	396	758	1,154
Depreciation provided during the year	(11)	(187)	(198)
At 31 December 2013	385	571	956
At 31 December 2013 and 1 January 2014:			
Cost	396	758	1,154
Accumulated depreciation	(11)	(187)	(198)
Net carrying amount	385	571	956
Net carrying amount:			
At 1 January 2014	385	571	956
Additions	158	650	808
Depreciation provided during the period	(47)	(179)	(226)
At 30 June 2014	496	1,042	1,538
At 30 June 2014:			
Cost	554	1,408	1,962
Accumulated depreciation	(58)	(366)	(424)
Net carrying amount	496	1,042	1,538

14. INVENTORIES

	As at 31 December		As at 30 June
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	—	29,183	24,599

15. TRADE RECEIVABLES

	As at 31 December		As at 30 June
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	3,092	3,934

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 aged 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		As at 30 June
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	—	3,092	3,934

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		As at 30 June
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	—	245	169
Prepaid tax	—	1,690	1,278
Deposits and other receivables	1,100	680	110
	1,100	2,615	1,557

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		As at 30 June
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the controlling shareholder *(note (i))*	42	22,465	9,718

(i) The loan to a Director, Ms. Hang 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		As at 30 June
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Maximum amount outstanding during the year/period	42	22,735	22,465

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

18. BALANCES WITH RELATED PARTIES

		As at 31 December		As at 30 June
		2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from fellow subsidiaries				
Nanjing Uno	(i)	1,097	68,462	84,455
Nanjing Baifu Biotechnology Limited	(ii)	—	—	381
		1,097	68,462	84,836
Amount due to the controlling shareholder				
Ms. Hang	(ii)	482	—	—
Amount due to fellow subsidiaries				
Nanjing Uno	(ii)	—	4,000	4,158
Nanjing Oudai Technology Limited	(ii)	—	2,412	900
Nanjing Baifu Biotechnology Limited	(ii)	—	—	234
		—	6,412	5,292

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		As at 30 June
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	2,958	1,502	9,689

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		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	56,663	41,306

An aged 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		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	—	56,663	41,306

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

21. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	—	1,830	2,215
Payroll and welfare payable	—	434	725
Other payables	—	77	75
	—	2,341	3,015

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

22. ISSUED CAPITAL

	As at 31 December		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	5,000	26,000	26,000
Paid-in capital	5,000	26,000	26,000

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 the entity's 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 capitalized as issued capital.

24. 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 had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within a year	613	613	613
In the second to fifth years, inclusive	1,470	857	551
	2,083	1,470	1,164

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 in which the ultimate controlling shareholder is Ms. Hang:

(1) Nanjing Uno
(2) Nanjing Oudai Technology Limited
(3) Nanjing Baifu Biotechnology Limited

(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	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	Six months ended 30 June 2014
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of products					
Nanjing Uno	(i)	—	150,601	37,121	130,041

(i) The sales 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 together with maximum outstanding balances due from the controlling shareholder during the Relevant Periods are disclosed in notes 18 and 19 to the Financial Information.

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

	Notes	The Period from 5 December 2011 to 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	Six months ended 30 June 2014
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term employee benefits		—	1,819	705	1,028
Pension scheme contributions		—	—	—	—
		—	1,819	705	1,028

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

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		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
— loans and receivables			
Trade receivables	—	3,092	3,934
Financial assets included in prepayments, deposits and other receivables	—	680	110
Amount due from the controlling shareholder	42	22,465	9,718
Amounts due from Fellow subsidiaries	1,097	68,462	84,836
Cash and cash equivalents	2,958	1,502	9,689
	4,097	96,201	108,287

	As at 31 December		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
— financial liabilities at amortised cost			
Trade payables	—	56,663	41,306
Financial liabilities included in other payables and accruals	—	75	75
Amount due to the controlling shareholder	482	—	—
Amount due to a fellow subsidiary	—	2,412	4,158
Amounts due to other related parties	—	4,000	1,134
	482	63,150	46,673

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 and accruals, an amount due from a director 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.

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 Company's operations. 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 board of directors reviews and agrees policies for managing each of the risks which are summarized below:

Credit risk

The Target Company trades only with recognized 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 96% (2013: 96%, 2012: 100%) of the Target Company's trade receivables were due from the Target Company's largest customer, Nanjing Uno is a fellow subsidiary of the Target Company in which the ultimate controlling shareholder is Ms. Hang. The amount due from fellow subsidiaries at 30 June 2014 is RMB84,836,000 (31 December 2013: RMB68,462,000, 31 December 2012: RMB1,097,000).

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		
Amounts due to the controlling shareholder	482	482

	On demand	Total
	RMB'000	*RMB'000*
31 December 2013		
Trade payables	56,663	56,663
Other payables	75	75
Amount due to fellow subsidiaries	6,412	6,412
	63,150	63,150

	On demand	Total
	RMB'000	*RMB'000*
30 June 2014		
Trade payables	41,306	41,306
Other payables	75	75
Amount due to fellow subsidiaries	5,292	5,292
	46,673	46,673

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. EVENTS AFTER THE REPORTING PERIOD

On 11 September 2014, Yestar (Shanghai) Co., Ltd. ("Yestar Shanghai") entered into the Share Transfer Agreement with Ms. Hang and Ms. Xu Di, pursuant to which the Yestar Shanghai agreed to acquire 70% of the entire equity interests in the Target Company from Ms. Hang and Ms. Xu respectively, at an aggregate consideration of RMB245 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2014.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Business and financial review

The principal business of the Target Company is the distribution of medical equipment and associated consumables business in the PRC. The Target Company was established in 5 December 2011. The loss/profit for the years/periods of the Target Company during the two years ended 31 December 2012 and 31 December 2013 and the six months ended 30 June 2013 and 2014 (the "Relevant Period") was amounted to a loss of RMB0.3 million, a profit of RMB27.8 million, a profit of RMB6.8 million, and a profit of RMB18.5 million respectively. The increase was mainly due to the expansion of customer coverage and the strong demand of customers during the Relevant Period.

For the six months ended 30 June 2014 and 2013

Revenue

The Target Company's revenue is mainly derived from Roche diagnostics products, including Roche Pathologic Diagnostic product, Roche Near Patient Testing product, Roche Molecular Diagnostic product, Roche Biochemical and Immunology Diagnostic product and Roche device. Revenue of the Target Company for the six months ended 30 June 2014 were approximately RMB156,523,000, representing an increase of 214.5% against approximately RMB49,768,000 for the six months ended 30 June 2013. The increase in revenue in 2014 was mainly resulted from the increasing demands from the customers and the dedication to expanding customers. For detail breakdown of the revenue by major products of the Target Company, please refer to Appendix IV of this circular.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of the Target Company for the six months ended 30 June 2014 were approximately RMB125,099,000, representing an increase of 223.0% against approximately RMB38,736,000 for the six months ended 30 June 2013. The increase in cost of sales for 2014 was mainly resulted from i) the revenue increment; ii) the enlarging product portfolio to cover more low profit margin products.

Gross profit of the Target Company for the six months ended 30 June 2014 was approximately RMB31,424,000. The Target Company's gross profit margin was decreased from 22.2% for the six months ended 30 June 2013 to 20.1% for the six months ended 30 June 2014.

Selling and distribution costs

Selling and distribution costs mainly comprise of staff costs and transportation and fuel expenses. The selling and distribution costs of the Target Company for the six months ended 30 June 2014 were approximately RMB820,000, representing an increase of 583.3% against approximately RMB120,000 for the six months ended 30 June 2013. The increase for 2014 was mainly attributable to the increase in diversified customer base as a result of expansion policy taken by the Target Company.

Administrative expenses

Administrative expenses mainly comprise of staff costs, rental expenses, office maintenance and amortization and depreciation. The administrative expenses of the Target Company for the six months ended 30 June 2014 were approximately RMB5,698,000, representing an increase of 211.4% against approximately RMB1,830,000 for the six months ended 30 June 2013. The increase for 2014 was mainly due to the increase in staff costs, staff welfare and consumables as a result of expansion measures taken by the Target Company.

Taxation

The applicable tax rate of the subsidiary of the Target Company in the PRC for the six months ended 30 June 2014 was 25% (2013: 25%).

Profit for the period

The Target Company recorded net profit for the six months ended 30 June 2014 of approximately RMB18,508,000 (2013: a profit of approximately RMB6,808,000) mainly due to the net effect of the strong demand of the customers and the increase in the distribution of medical equipment and associated consumables.

For the years ended 31 December 2012 and 2013

Revenue

The Target Company's revenue is mainly derived from Roche diagnostics products, including Roche Pathologic Diagnostic product, Roche Near Patient Testing product, Roche Molecular Diagnostic product, Roche Biochemical and Immunology Diagnostic product and Roche device. Total revenue of the Target Company for the year ended 31 December 2013 were approximately RMB187,555,000 against nil for the year ended 31 December 2012. The increase in revenue for 2013 was mainly resulted from the increasing demands of the customers and the dedication to explore more customers. For detail breakdown of the revenue by major products of the Target Company, please refer to Appendix IV of this circular.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of materials. Total cost of sales of the Target Company for the year ended 31 December 2013 were approximately RMB142,868,000 against nil for the year ended 31 December 2012. The increase in cost of sales for 2013 was resulted from (i) increase in revenue and (ii) the enlarging product portfolio to cover more low profit margin products.

Gross profit of the Target Company for the year ended 31 December 2013 was approximately RMB44,687,000. Due to the above reasons, the Target Company's gross profit margin was 23.8% for the year ended 31 December 2013.

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 RMB221,000, against nil for the year ended 31 December 2012. The increase for 2013 was mainly attributable to the increase in diversified customer base as a result of expansion policy taken by the Target Company.

Administrative expenses

Administrative expenses mainly comprise of staff costs, rental expenses, office maintenance and amortization and depreciation. The administrative expenses of the Target Company for the year ended 31 December 2013 were approximately RMB7,053,000, representing an increase of 2,349.0% against RMB288,000 for the year ended 31 December 2012. The increase for 2013 was mainly due to the increase in staff costs, staff welfare and consumables as a result of expansion measures taken by the Target Company.

Taxation

The applicable tax rate of the subsidiary of Target 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 the Target Company was principally due to the net effect of the strong demand of the customers and the increase in the distribution of medical equipment and associated consumables.

Liquidity and financial resources

As at 31 December 2012 and 2013 and 30 June 2014, the net current assets of the Target Company were approximately RMB4.7 million, RMB52.5 million, and RMB70.4 million, respectively. The Target Company had current asset of approximately RMB5.2 million, RMB127.3 million, and RMB134.3 million, respectively, as at 31 December 2012 and 2013 and 30 June 2014, which mainly consist of trade receivables and inventories. The Target Company had non-current assets of approximately nil, RMB1.0 million and RMB1.5 million, respectively, as at 31 December 2012 and 2013 and 30 June 2014 which mainly consist of property, plant and equipment. The Target Company had current liabilities of approximately RMB0.5 million, RMB74.8 million, and RMB63.9 million, respectively, as at 31 December 2012 and 2013 and 30 June 2014 which mainly consist of trade payables and other payables and tax payable.

As at 31 December 2012 and 2013 and 30 June 2014, the Target Company 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 the Target Company from financial institutions.

Financing

Total bank borrowing of the Target Company, as at 31 December 2012 and 2013 and 30 June 2014, were approximately nil, nil and nil, respectively denominated in RMB.

Capital structure

The capital structure of the Target Company was composed of equity only; the Target Company financed its operation from capital contributions by its equity holders.

As at 30 June 2014, net assets of the Target Company were approximately RMB72.0 million. The increase in net assets value compared with that as at 31 December 2013 was mainly attributable to the net effect of the profit contribution for the six months ended 30 June 2014.

As at 31 December 2012 and 2013, net assets of the Target Company were approximately RMB4.7 million and RMB53.5 million respectively. The improvement of the net assets was mainly attributable to the capital contribution and the profit contribution from the respectively years.

Capital expenditure

The Target Company invested approximately nil, RMB1.1 million and RMB0.8 million in capital expenditure for the two years ended 31 December 2012 and 2013 and for the six months ended 30 June 2014 respectively, which was used for property, plant and equipment. As at 31 December 2012 and 2013 and 30 June 2014, the Target Company had no significant capital commitment.

Gearing ratio

The gearing ratio of the Target Company as at 31 December 2012 and 2013 and 30 June 2014, which was calculated on the basis of payables incurred not in the ordinary course of business (excluding amount due to a shareholder) 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 Target Company during the Relevant Periods.

The Target Company had no material acquisition or disposal during the Relevant Periods.

Analysis of segment information

The Target Company operated in only one business segment, being the engagement in distribution 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 30 June 2014, the Target Company had nil, 41, and 51 employees and remuneration expenses incurred for the year 31 December 2012, 2013 and for the six months ended 30 June 2014 were approximately nil, RMB3.9 million, and RMB4.2 million. The Target Company remunerates its employees based on their performance, experience and prevailing industry practice.

Future plans for material investments or capital assets

As at 30 June 2014, the Target Company had no plans for material investments or capital assets.

Interest rate exposure

The Target Company had no exposure to the risk of changes in market interest rates.

Foreign currency risk

The Target Company has no foreign currency risk because it conducted in the PRC and all the transactions are denominated in Renminbi ("RMB"). The Target Company currently does not have a foreign currency hedging policy.

Contingent liabilities

As at 31 December 2012 and 2013 and 30 June 2014, the Target Company 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 Company) as at 30 June 2014 has been prepared based on:

(a) the unaudited consolidated financial statements of the Group as at 30 June 2014 as published in the Group's 2014 interim report;

(b) the statement of financial position of the Target Company at 30 June 2014 which has been extracted from Appendix II 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 30 June 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' report on the Target Company set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2014 or at any future date.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 30 June 2014	The Target Company as at 30 June 2014	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 1	*note 2*	*note 3*	*note 4*	*note 5*	*note 6*	
NON-CURRENT ASSETS							
Property, plant and equipment	101,126	1,538					102,664
Prepaid land lease payments	15,443	—					15,443
Intangible assets	2,540	—					2,540
Goodwill	—	—				194,612	194,612
Investments in subsidiaries	—	—		245,000		(245,000)	—
Deferred tax assets	7,187	—					7,187
Total non-current assets	126,296	1,538					322,446
CURRENT ASSETS							
Inventories	274,807	24,599					299,406
Trade and bills receivables	16,824	3,934					20,758
Prepayments, deposits and other receivables	22,380	1,557					23,937
Amount due from a shareholder	—	9,718	(9,718)				—
Amount due from fellow subsidiaries	—	84,836	(84,836)				—
Pledged deposits	1,040	—					1,040
Cash and cash equivalents	208,332	9,689	89,262	(122,500)	(2,000)		182,783
Total current assets	523,383	134,333					527,924
CURRENT LIABILITIES							
Interest-bearing loans	78,597	—		122,500			201,097
Trade and bills payables	186,858	41,306					228,164
Other payables and accruals	17,601	3,015					20,616
Tax payable	4,541	14,275					18,816
Amount due to a fellow subsidiary	—	5,292	(5,292)				—
Total current liabilities	287,597	63,888					468,693
NON-CURRENT LIABILITIES							
Other payables	8,739	—					8,739
Deferred tax liabilities	6,096	—					6,096
Total non-current liabilities	14,835	—					14,835
Net assets	347,247	71,983					366,842
EQUITY							
Equity attributable to owners of the parent							
Issued capital	37,044	26,000				(26,000)	37,044
Reserves	300,902	45,983			(2,000)	(45,983)	298,902
	337,946	71,983					335,946
Non-controlling interests	9,301	—				21,595	30,896
Total equity	347,247	71,983					366,842

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The balances were extracted from the interim report for the six-month period ended 30 June 2014 of the Group.

(2) The balances were extracted from Appendix II to this circular.

(3) The adjustment represents the aggregate cash consideration amounted to RMB89 million for the settlement of all amount due to or from related parties, with the conditions precedent set out in the Share Transfer Agreement assumed to have been fully satisfied.

(4) On 11 September 2014, Yestar Shanghai entered into the Share Transfer Agreement with Ms. Hang and Ms. Xu, pursuant to which Yestar Shanghai agreed to acquire 70% of the entire equity interests in the Target Company from Ms. Hang and Ms. Xu respectively, at an aggregate consideration of RMB245 million.

The pro forma adjustment represents the aggregate cash consideration amounted to RMB245 million for the acquisition of the Target Company. All conditions precedent set out in the Share Transfer Agreement assumed to have been fully satisfied.

According to the facility agreement entered into between the Group and certain financial institutions on 28 September 2014, the Group obtained loan facilities of RMB122.5 million to finance the Acquisition and the Group shall repay all the loans in three years.

The Unaudited Pro Forma Financial Information has been prepared based on the assumption that the Group can obtain the loan facilities amounted to RMB122.5 million to satisfy the acquisition Consideration and the rest of the Consideration will be satisfied by the internal resources of the Group, and the details are set out as follows:

	RMB'000
Cash and bank balances	122,500
Current portion of interest-bearing bank and other borrowings	122,500
Total Consideration	245,000

(5) 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 million.

(6) For the purpose of preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the Enlarged Group is analyzed as follows:

	As at 30 June 2014 *RMB'000*
Consideration of the Acquisition	245,000
Carrying amount of the net assets	71,983
Non-controlling interests of 30% in the Target Company	(21,595)
Identifiable net assets acquired	50,388
Goodwill arising from the Acquisition of the Target Company *(Note)*	194,612

Note: For illustrative purposes, the Directors had assumed the carrying values of the identifiable assets and liabilities of the Target Company 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 recognized as the amount reached by the Consideration of the Acquisition minus identifiable net assets acquired at 30 June 2014 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 carrying amounts of the identifiable assets and liabilities of the Target Company at 30 June 2014 approximated the fair values of the Target Company. The Group has elected to measure the non-controlling interests in the Target Company at the non-controlling interests' proportionate share of the Target Company' 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 recognized in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Any intangible item acquired in a business combination was recognized 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 recognized as goodwill at the acquisition date. For the purpose of the Unaudited Pro Forma Financial Information, the management has assumed that no identifiable intangible assets.

With this assumption, the Acquisition gives rise to a goodwill of RMB195 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 is 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 recognized 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. The Group performs its annual impairment test of goodwill as at 31 December. 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 accounting policies for goodwill, save for compliance to any new or revised IFRS that would be issued by the IASB, to perform impairment test of the Enlarged Group's goodwill during the future accounting periods of the Enlarged Group. If the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit will be tested for impairment before the end of the current annual period. 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 other acquisitions of similar nature. To the best knowledge of the Directors, the Group's independent auditors will conduct the audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants to perform the impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group.

Even though the impairment test will be carried out in the accounting periods in the future, for the purpose of the Unaudited Pro Forma Financial Information, the Group has assessed if there is any impairment indication of the goodwill arising from the proposed acquisition of the Target Company in accordance with the International Accounting Standard 36 "Impairment of Assets" which is consistent with the Group's accounting policy. In view of the date of this circular and the balance sheet date of the first set of the financial statements of the Group after the Completion, any significant changes in the assessment of goodwill impairment is not expected. Accordingly, the Directors are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the proposed acquisition of the Target Company as set out in the Unaudited Pro Forma Financial Information.

Upon completion of the 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 value of the net identifiable assets and liabilities of the Target Company at the date of Completion. The actual financial effects are expected to be different from the amounts presented above.

(B) ACCOUNTANTS'REPORT ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 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

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24 October 2014

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") and Jiangsu Uno Technology Development Company Limited (hereinafter referred to as the "Target Company") (the Group together with the Target Company 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 30 June 2014, and related notes as set out in Appendix III to the circular dated 24 October 2014 (the "Circular") issued by the Company (the "Pro Forma Financial Information") in connection with the acquisition (the "Acquisition") of 70% equity interests of the Target Company by Yestar (Shanghai) Co., Ltd. (an indirect wholly owned subsidiary of the Company). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are set out in Section A of Appendix III 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 30 June 2014 as if the Acquisition had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's published interim report for the six-month period ended 30 June 2014, and the information about the Target Company's financial position has been extracted by the Directors from the Target Company's financial statements for the period from 5 December 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 and the six-month period ended 30 June 2014 on which accountants' reports have been published in Appendices II 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 have been 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 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 transaction 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 Pro Forma Financial Information has been properly compiled by the Directors 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 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

DETAILS OF LONG-TERM SUPPLIER AGREEMENTS ENTERED INTO BY NANJING UNO

Nanjing Uno has entered into long-term supplier agreements with its customers ranging from 1 to 8 years. As at the Latest Practicable Date, Nanjing Uno has entered into 102 long-term supplier agreements with its customers, details of the major types of agreement are disclosed below:

								Total revenue			
Customer	Location in the PRC	Term of agreement	Credit period	Business Profile of the customer	Brand of products supplied (BD or Roche)	Scope of service	Valid period of supplier agreement(s)	For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the six months ended 30 June 2014
Customer A	Xuzhou, Jiangsu	5 years	The rent of the medical equipment shall be paid yearly No specific credit period has been stipulated in the agreement	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment and sales of Roche Biochemical and Immunology Diagnostic product	18 October 2011 to 17 October 2016	196,712.80	1,418,122.34	357,958.99	—
Customer B	Zhenjiang, Jiangsu	4 years	The rent of the medical equipment shall be paid yearly No specific credit period has been stipulated in the agreement	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	BD Products	Leasing and maintenance of medical equipment and sales of BD Microorganism Diagnostic product	1 December 2011 to 30 November 2015	8,333.35	107,290.49	652,820.35	75,555.51
Customer C	Nanjing, Jiangsu	4 years	The rent of the medical equipment shall be paid yearly No specific credit period has been stipulated in the agreement	Provision of medical services	BD Products	Leasing and maintenance of medical equipment and sales of BD Microorganism Diagnostic product	20 May 2011 to 19 May 2015	3,193,767.39	4,819,977.49	7,062,351.32	3,372,378.17
Customer D	Jiangsu	1 year	The rent of the medical equipment shall be paid yearly No specific credit period has been stipulated in the agreement	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment and sales of Roche Biochemical and Immunology Diagnostic product	20 December 2013 to 19 December 2014	—	—	303,418.80	—
Customer E	Jiangsu	5 years	Under the agreement, the customer shall make payment within 90 days after delivery	Provision of medical services	BD Products and Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product, Roche Molecular Diagnostic product, BD Microorganism Diagnostic product	25 August 2011 to 24 August 2016	1,975,489.10	24,440,133.33	32,349,879.90	16,534,923.74
Customer F	Jiangsu	1 year	Under the agreement, the customer shall in general make full payment within 90 to 120 days after delivery	Provision of medical services	Roche Diagnostics Products	Sales of Roche Biochemical and Immunology Diagnostic product, Roche Molecular Diagnostic product, BD Microorganism Diagnostic product	2 December 2013 to 1 December 2014	3,559,398.01	4,524,066.61	6,483,873.20	4,145,683.18
Customer G	Nanjing, Jiangsu	2 years	No specific credit period has been stipulated in the agreement	Provision of medical services	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	23 June 2014 to 22 June 2016	5,156,260.11	6,725,381.40	9,965,097.01	4,441,169.44

Customer	Location in the PRC	Term of agreement	Credit period	Business Profile of the customer	Brand of products supplied (BD or Roche)	Scope of service	Valid period of supplier agreement(s)	Total revenue For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the six months ended 30 June 2014
Customer H	Nanjing, Jiangsu	5 years	No specific credit period has been stipulated in the agreement	Provision of medical services	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	24 November 2010 to 23 November 2015	4,869,389.15	6,462,987.80	6,817,663.31	4,174,728.90
Customer I	Qidong, Jiangsu	5 years	The rent of the medical equipment shall be paid yearly	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product and BD Microorganism Diagnostic product	4 May 2013 to 3 May 2018	2,405,862.25	3,131,226.98	5,247,292.70	4,493,398.76
Customer J	Anqing, Anhui	5 years	The rent of the medical equipment shall be paid yearly	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	7 March 2014 to 6 March 2019	4,995,008.45	7,163,511.04	7,823,094.16	5,727,370.27
Customer K	Anhui	5 years	The rent of the medical equipment shall be paid yearly	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	30 March 2010 to 29 March 2015	3,500,561.61	4,885,163.86	6,851,261.04	15,225,263.43

For details regarding the terms of the long-term supplier agreements between Nanjing Uno and its top ten customers as at 30 June 2014, please refer to the disclosure below:

Customer	Location in the PRC	Term of agreement	Credit period	Business Profile of the customer	Brand of products supplied (BD or Roche)	Scope of service	Valid period of supplier agreement(s)	Total revenue For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the six months ended 30 June 2014
Customer E	Jiangsu	5 Years	Under the agreement, the customer shall make payment within 90 days after delivery	Provision of medical services	BD Products and Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product, Roche Molecular Diagnostic product, BD Microorganism Diagnostic product	25 August 2011 to 24 August 2016	1,975,489.10	24,440,133.33	32,349,879.90	16,534,923.74
Customer K	Anhui	5 Years	The rent of the medical equipment shall be paid yearly	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	30 March 2010 to 29 March 2015	3,500,561.61	4,885,163.86	6,851,261.04	15,225,263.43
Customer J	Anqing, Anhui	5 years	The rent of the medical equipment shall be paid yearly	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	BD Products and Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	7 March 2014 to 6 March 2019	4,995,008.45	7,163,511.04	7,823,094.16	5,727,370.27

								Total revenue			
Customer	Location in the PRC	Term of agreement	Credit period	Business Profile of the customer	Brand of products supplied (BD or Roche)	Scope of service	Valid period of supplier agreement(s)	For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the six months ended 30 June 2014
Customer I	Qidong, Jiangsu	5 years	The rent of the medical equipment shall be paid yearly	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product and BD Microorganism Diagnostic product	4 May 2013 to 3 May 2018	2,405,862.25	3,131,226.98	5,247,292.70	4,493,398.76
Customer G	Nanjing, Jiangsu	2 years	No specific credit period has been stipulated in the agreement	Provision of medical services	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	23 June 2014 to 22 June 2016	5,156,260.11	6,725,381.4	9,965,097.01	4,441,169.44
Customer H	Nanjing,Jiangsu	5 years	No specific credit period has been stipulated in the agreement	Provision of medical services	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	24 November 2010 to 23 November 2015	4,869,389.15	6,462,987.8	6,817,663.31	4,174,728.9
Customer F	Jiangsu	1 year	Under the agreement, the customer shall in general make full payment within 90 to 120 days after delivery	Provision of medical services	Roche Diagnostics Products	Sales of Roche Biochemical and Immunology Diagnostic product, Roche Molecular Diagnostic product, BD Microorganism Diagnostic product	2 December 2013 to 1 December 2014	3,559,398.01	4,524,066.61	6,483,873.20	4,145,683.18
Customer L	Jiangsu	5 years	Under the agreement, the customer shall make payment within 90 days after delivery	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product, Roche Molecular Diagnostic product, BD Microorganism Diagnostic product	2 September 2013 to 1 September 2018	6,213,733.26	9,932,269.08	7,356,901.62	3,887,342.50
Customer M	Jiangsu	5 years	Under the agreement, the customer shall make payment within 90 days after delivery	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	7 March 2013 to 6 March 2018	5,044,125.38	5,995,759.11	7,424,550.35	3,835,835.68
Customer N	Nanjing,Jiangsu	5 years	No specific credit period has been stipulated in the agreement	Leasing of medical equipment, maintenance of medical equipment and distribution of medical equipment consumables	Roche Diagnostics Products	Leasing and maintenance of medical equipment, distribution of Roche Biochemical and Immunology Diagnostic product	24 November 2010 to 23 November 2015	259,940.14	2,714,051.33	4,534,339.97	3,763,712.22

For the salient terms of the remaining long-term supplier agreements, please refer to the disclosure below:

Brands of products:	Roche Diagnostics Products and BD Products
Scope of service:	Leasing of medical equipment, maintenance of medical equipment and sales of medical equipment and associated consumables
Credit period:	Cash before delivery to 4 months credit period
Term of agreements:	1 year to 8 years
Valid period of the supplier agreements:	Between 1 December 2014 to 17 November 2020
Revenue contribution for the six months ended 30 June 2014:	RMB43,000 to RMB3.6 million

DETAILS OF DISTRIBUTION AGREEMENTS ENTERED INTO BY NANJING UNO

Nanjing Uno has entered into distribution agreements with its supplier, BD, with an average validity period of one month. Under the distributionship agreements with BD, Nanjing Uno will distribute BD microbial agent instruments and provide exchange for substandard products and machine maintenance services. As at the Latest Practicable Date, Nanjing Uno has entered into 6 distribution agreements with its suppliers, details of which are disclosed below:

Other party to distribution agreement with Nanjing Uno	Validity period	Scope of products/ services provided	Material conditions
BD	1 October 2013 to 30 September 2014	BD flow cytometers	Licensed area: Jiangsu Province
BD	1 October 2013 to 30 September 2014	Clinical microbial products for BD diagnostic systems	Licensed area: Jiangsu Province
BD	1 October 2013 to 30 September 2014	BD Accur I C6	Licensed area: Jiangsu Province

Other party to distribution agreement with Nanjing Uno	Validity period	Scope of products/ services provided	Material conditions
BD	1 October 2013 to 30 September 2014	Flow cytometers (except Accur C6)	Licensed area: Jiangsu Province This is a non-exclusive license and BD may authorize other distributors to sell BD Products within the same area There is no restriction on external selling prices apart from the highest reselling prices stipulated by BD
BD	1 October 2013 to 30 September 2014	Diagnostic clinical microbial products	Licensed area: Jiangsu Province This is a non-exclusive license and BD may authorize other distributors to sell BD Products within the same area There is no restriction on external selling prices apart from the highest reselling prices stipulated by BD
BD	1 October 2013 to 30 September 2014	BD Accur C6 flow cytometers	Licensed area: Jiangsu Province

Other party to distribution agreement with Nanjing Uno	Validity period	Scope of products/ services provided	Material conditions
			This is a non-exclusive license and BD may authorize other distributors to sell BD Products within the same area There is no restriction on external selling prices apart from the highest reselling prices stipulated by BD

The products provided by Nanjing Uno under BD distribution agreement are flow cytometers used for single cell separation and counting; and agents, consumables and device in microorganism identification and testing. Nanjing Uno also provides other after-sales service in relation to the above-mentioned products, such as device maintenance and product exchange.

DETAILS OF TRADEMARKS AND DOMAIN NAMES OF NANJING UNO

As at the Latest Practicable Date, Nanjing Uno owned the following trademark and domain name:

Trademark:

No.	Holder	Logo	Registration Number	Registry	Sort	Deadline
1.	Nanjing Uno	UNO	10827592	PRC	10	20 July 2023

Domain Name:

No.	Name	Holder	Deadline
1.	Uno-js.com	Nanjing Uno	17 April 2017

The transfer of the above domain name to Target Company has been completed, while the transfer of the trademark is in progress, which generally requires about six months' time.

PERFORMANCE DATA OF THE BD PRODUCTS AND ROCHE DIAGNOSTIC PRODUCTS SOLD BY NANJING UNO AND THE TARGET COMPANY

Nanjing Uno

The breakdowns of revenue by major products and by type of customers sold by Nanjing Uno for the year ended 31 December 2013 and six months ended 30 June 2014 are as follows:

For the year ended 31 December 2013		*RMB'000*	
By product category	**Revenue**	**Cost of products**	**Gross profit margin**
BD Microorganism Diagnostic product	12,747	9,955	2,792
BD medical equipment	12,817	9,488	3,329
Roche Pathologic Diagnostic product	911	793	118
Roche Near Patient Testing product	3,535	2,707	828
Roche Molecular Diagnostic product	1,902	1,698	204
Roche Biochemical and Immunology Diagnostic product	255,039	191,734	63,305
Roche medical equipment *(Note 1)*	6,813	6,207	606
Others *(Note 2)*	16,322	32,002	–15,680
Grand Total	310,086	254,584	55,502

For the six months ended 30 June 2014		*RMB'000*	
By product category	**Revenue**	**Cost of products**	**Gross profit margin**
BD Microorganism Diagnostic product	7,098	5,605	1,493
BD medical equipment	2,036	1,727	309
Roche Pathologic Diagnostic product	392	442	–50
Roche Near Patient Testing product	720	631	89
Roche Molecular Diagnostic product	1,357	1,046	311
Roche Biochemical and Immunology Diagnostic product	147,693	115,676	32,017
Roche medical equipment *(Note 1)*	868	1,220	–352
Others *(Note 2)*	8,067	15,121	–7,054
Grand Total	168,231	141,468	26,763

By type of customer	*RMB'000*	
	For the year ended 31 December 2013	**For the six months ended 30 June 2014**
Ultimate customer *(Note 3)*	301,225	133,525
Local distributor *(Note 3)*	8,861	34,706
	310,086	168,231

The Target Company

The breakdowns of revenue by major products and by type of customers sold by the Target Company during the year ended 31 December 2013 and six months ended 30 June 2013 and 2014 are as follows:

For the Year ended 31 December 2013		*RMB'000*	
By product category	**Revenue**	**Cost of products**	**Gross profit margin**
Roche Pathologic Diagnostic product	615	307	308
Roche Near Patient Testing product	2,460	1,849	611
Roche Molecular Diagnostic product	1,602	1,038	564
Roche Biochemical and Immunology Diagnostic product	171,304	128,575	42,729
Roche medical equipment *(Note 1)*	5,119	5,183	–64
Others	6,455	5,916	539
Grand Total	187,555	142,868	44,687

For the six months ended 30 June 2013		*RMB'000*	
By product category	**Revenue**	**Cost of products**	**Gross profit margin**
Roche Pathologic Diagnostic product	150	74	76
Roche Near Patient Testing product	675	473	202
Roche Molecular Diagnostic product	530	362	168
Roche Biochemical and Immunology Diagnostic product	45,765	35,268	10,497
Roche medical equipment *(Note 1)*	1,336	1,409	–73
Others	1,312	1,150	162
Grand Total	49,768	38,736	11,032

For the six months ended 30 June 2014	*RMB'000*		
By product category	**Revenue**	**Cost of products**	**Gross profit margin**
Roche Pathologic Diagnostic product	737	374	363
Roche Near Patient Testing product	1,979	1,629	350
Roche Molecular Diagnostic product	1,050	725	325
Roche Biochemical and Immunology Diagnostic product	141,953	111,351	30,602
Roche medical equipment *(Note 1)*	963	753	210
Others	9,841	10,267	–426
Grand Total	156,523	125,099	31,424

	RMB'000			
By type of customer	**For the year ended 31 December 2012**	**For the year ended 31 December 2013**	**For the six months ended 30 June 2013**	**For the six months ended 30 June 2014**
Nanjing Uno *(Note 3)*	—	150,601	37,121	130,041
Local distributors *(Note 3)*	—	36,954	12,647	26,482
Total	—	187,555	49,768	156,523

Note 1 The gross profit margin of devices is relatively low as compared to diagnostic/testing products because the Target Company and Nanjing Uno adopted a business strategy to lower the selling price of devices to expand the market and expect to improve the sales volume of diagnostic/testing products. Under some circumstances for sales promotion, the devices may be delivered to customers at a price lower than the cost, which led to the negative gross profit margin of Roche devices. The specific selling prices of the devices depend on business negotiation and the Target Company/ Nanjing Uno's marketing strategy.

Note 2 Others mainly represented the revenue derived from (i) the rental income of Roche and BD medical equipment; (ii) repair and maintenance fee from provision of repair and maintenance service for Roche and BD medical equipment; and (iii) sales of related spare parts.

Note 3 The distributors of the Target Company and Nanjing Uno mainly engage in, among other things, the distribution of the medical equipment, medical equipment consumables and other pharmaceutical products.

Ultimate customers of the local distributors of the Target Company and Nanjing Uno include hospitals and clinics in the 2nd and 3rd tier cities of Anhui and Jiangsu Provinces with grading ranging from 1A to 3A. The business relationship between the ultimate customer of the local distributors ranges between 1 to 1.5 years with the Target Company and up to 10 years with Nanjing Uno.

The ultimate customers of the Target Company and Nanjing Uno mainly include hospitals, clinics, medical laboratories and cosmetic clinics.

Application of the Roche Diagnostics Products and the BD Products

Roche Pathologic Diagnostic products	Used to prepare the body tissues to perform observation on cell morphology under microscopes.
Roche Near Patient Testing products	To provide easily accessible ways to perform health check near patient on biochemical parameters of blood routine examinations and detection of endocrine/metabolic diseases.
Roche Molecular Diagnostic products	Molecular diagnostic reagents for diseases to measure molecular concentration level such as DNA, protein or other molecules to detect related disease.
Roche Biochemical and Immunology Diagnostic products	Diagnostic chemical agents can be specifically used to detect chemical concentration and characteristics based on immunology reaction.
Roche medical equipment	These medical equipment are specifically designed to work together with Roche agents and the containers where chemical reactions between the Roche agents and samples are catalyzed, and export the laboratory results.
BD Microorganism Diagnostic Products	BD microbiological detection reagents include microbiological culture, identification and drug sensitivity test system. It's used to diagnose and identification
BD medical equipment	The primary type of BD products distributed by the Target Company are flow cytometry applying to cell sorting/counting from blood samples and microorganism identification and drug sensitive analysis on body fluid samples from infectious disease.

SALIENT TERMS OF THE DISTRIBUTIONSHIP AGREEMENTS ENTERED INTO BY THE TARGET COMPANY

Distribution agreement between the Target Company and Roche

Products:	Tissue Diagnostics Products, Centralized Diagnostics Products and Molecular Diagnostics Products
Product pricing:	Prices of supplying Roche Diagnostics Products are set by Roche
Credit limit:	RMB 71 million
Credit term:	60 days
Validity:	1 January 2014 to 31 December 2014
Sales area:	Anhui and Jiangsu Provinces (excluding Suzhou, Wuxi, Changzhou and Zhenjiang)
Right of renewal:	Unless one of the parties has issued a written notice to the other party to terminate the agreement one month before expiry, the agreement shall be renewed for one year automatically upon expiry.
Product liability:	Any claim that any product is defective or fails to meet the required standards shall be verified and confirmed by Roche, and Roche will offer free exchange of the defective product if it determines that the claim is reasonable.

Distribution agreement between the Target Company and the local distributors

Products:	Roche Diagnostics Products
Product pricing:	Arms-length negotiation between the Target Company and each of the local distributors
Credit and payment terms:	Full payment before delivery up to 30 days credit period
Validity:	Up to 60 months
Distribution regions:	Anhui and Jiangsu Provinces (excluding Suzhou, Wuxi, Changzhou and Zhenjiang)
Goods return arrangement:	No goods return arrangement, the Target Company will only accept return of goods due to defect in product quality

LICENSE AND PERMITS HELD BY THE TARGET COMPANY

License	Issuing authority	Scope of the license/permit
Company business license	Jiangsu Administration for Industry and Commerce	Operate Medical Devices in compliance with business scope of Permit for Medical Device Operating Enterprises
Permit for Medical Device Operating Enterprises — Class II	Jiangsu Food and Drug Administration	6841 — Medical laboratory apparatus and basic equipment 6870 — Software
Permit for Medical Device Operating Enterprises — Class III	Jiangsu Food and Drug Administration	6821 — Medical electronic equipment (excluding implant products) 6822 — Medical optical equipment and instruments, Endoscopic equipment (Implant products and Plastic corneal contact lens are not contained) 6823 — Medical ultrasound equipment and related equipment 6830 — Medical X-ray equipment 6840 — Clinical Analytical Instruments (including in vitro diagnostic reagent) 6866 — Medical polymer materials and products

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 2013, being the date to which the latest published audited accounts of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, none of the Target Company, 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.

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 2013 (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) an equity interest transfer agreement dated 8 October 2012 between Capital Group and Yestar HK pursuant to which Capital Group agreed to transfer 100% equity interest in Yestar Shanghai to Yestar HK at the consideration of US$1,000,000;

(b) an equity interest transfer agreement dated 4 November 2012 between Feng San Pte. Ltd., Forever Nice Enterprise Limited and Yestar HK pursuant to which Feng San Pte. Ltd. and Forever Nice Enterprise Limited transferred their respective 85.72% and 7.14% equity interest in Yestar Technology to Yestar HK at the consideration of US$10.0 and US$10.0, respectively;

(c) an equity interest transfer agreement dated 6 November 2012 between Feng San Pte. Ltd. and Yestar HK pursuant to which Feng San Pte. Ltd. agreed to transfer 100% equity interest in Yestar Medical to Yestar HK at the consideration of US$10.0;

(d) a subscription agreement dated 18 December 2012 between Forever Nice Enterprise Limited and Yestar BVI pursuant to which Forever Nice Enterprise Limited subscribed for 172 shares in Yestar BVI at the consideration of US$10.0;

(e) 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;

(f) 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;

(g) 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

(h) a deed of non-competition dated 18 September 2013 executed by the Controlling Shareholders in favor of the Company;

(i) 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;

(j) the Hong Kong underwriting agreement dated 26 September 2013;

(k) the Master Sales and Purchase Agreement; and

(l) the Share Transfer Agreement.

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
Commerce & Finance Law Offices	registered law firm in the PRC
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, Commerce & Finance Law Offices 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.

Commerce & Finance Law Offices 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.

Commerce & Finance Law Offices and Ernst & Young do not have any direct or indirect interest in any assets which have since 31 December 2013 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or 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 Unit 2403, Tung Wai Commercial Building, 109–111 Gloucester Road, Wanchai, 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. Koo Cheuk On Timmie, who is a fellow of the Hong Kong Institute of Certified Public Accountants (Practicing), a fellow of the Association of Chartered Certified Accountants (UK), a fellow of the Taxation Institute of Hong Kong, an associate of the Institute of Chartered Accountants in England and Wales, a member of the Society of Chinese Accountants and Auditors and a Hong Kong Certified Tax Adviser.

(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 Unit 2403, Tung Wai Commercial Building, 109–111 Gloucester Road, Wanchai, 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 Company, the text of which is set out in Appendix II 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 annual reports of the Company for each of the three years ended 31 December 2013;

(g) the interim report of the Company for the six months ended 30 June 2014; and

(h) this circular.