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

If you have sold or transferred all your shares in China Natural Investment Company Limited (“**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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China Natural Investment Company Limited
中國天然投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8250)

**VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL
ACQUISITION:
DISPOSAL OF CN PROPERTY GROUP
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of the Company to be held at 10:45 a.m. on Friday, 30 November 2012 at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the office of the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish.

This circular will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven (7) days from the date of publication and on the website of the Company at <http://www.chinanatural.com.hk>.

30 October 2012

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“CN BVI”	Chemosino International Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“CN Properties”	the properties owned by CN Property Group as at the date of the SP Agreement
“CN Property Group”	the group of companies consisting of CN Property Holding and its subsidiaries
“CN Property Holding”	Million Worldwide Investment Limited, a company incorporated in BVI with limited liability and wholly owned by CN BVI as at the date of the SP Agreement
“Company”	China Natural Investment Company Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on GEM
“Completion”	completion of the Disposal
“Completion Date”	the fifth Business Day after the last outstanding Conditions Precedent shall have been fulfilled or waived (or such other date as TH Property Holding and CN BVI shall agree in writing) on which Completion is to take place
“Conditions Precedent”	the conditions precedent to which Completion is subject as set out in the paragraph headed “Conditions Precedent” under the section “The SP Agreement” in the section headed “Letter from the Board” in this circular
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Consideration”	the sum of HK\$195 million, being the consideration for the sale and purchase of the Sale Shares
“Consideration Shares”	225 new shares of TH Property Holding, which shall represent 25% of the issued share capital of TH Property Holding as enlarged by the issue of such shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by CN BVI pursuant to the terms and conditions of the SP Agreement
“EGM”	the extraordinary general meeting of the Company convened to be held at 10:45 a.m. on Friday, 30 November 2012 at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong for the purpose of considering and, if thought fit, approving the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement
“Enlarged Group”	the Group and the Mongolia Group Companies
“Enlarged TH Property Group”	the group of companies consisting of TH Property Holding and its subsidiaries after Completion
“First Right”	the right to subscribe for the First Right Shares during the First Right Period pursuant to the terms of the SP Agreement
“First Right Period”	period of two (2) years commencing from the Completion Date to the last day of the two-year period immediately following the Completion Date (both dates inclusive)
“First Right Shares”	such number of shares of TH Property Holding as determined in accordance with the terms of the SP Agreement to be allotted and issued to CN BVI upon exercise of the First Right and payment of the consideration of the First Right Subscription
“First Right Subscription”	the subscription of the First Right Shares by CN BVI in accordance with the provisions of the SP Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company
“Latest Practicable Date”	26 October 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 31 December 2012 or such other date as CN BVI and TH Property Holding shall agree in writing
“Mongolia Group Companies”	Sino-Mongolia Fluorspar Mining Co., Ltd. and its subsidiaries
“Proposed Acquisition”	the proposed acquisition of the Mongolia Group Companies by the Group pursuant to an acquisition agreement dated 7 May 2012 entered into between the Company, Ms. Chen Yejun and Mr. Huang Tianhua, details of which are set out in the announcement of the Company dated 15 May 2012
“Remaining Group”	the Group immediately after completion of the Disposal
“Sale Shares”	the 100 ordinary shares of US\$1 each, representing the entire issued share capital of CN Property Holding
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between TH BVI and CN BVI at Completion setting out the arrangements in relation to their participation and respective shareholding in TH Property Holding
“SP Agreement”	the agreement dated 7 September 2012 entered into between TH Property Holding and CN BVI in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“TH BVI”	Town Health (BVI) Limited, a company incorporated in BVI with limited liability, being the sole shareholder of TH Property Holding and a wholly-owned subsidiary of TH Holding
“TH Group”	TH Holding and its subsidiaries
“TH Holding”	Town Health International Investments Limited, a company incorporated in the Cayman Island and continued in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886)
“TH Holding General Meeting”	a special general meeting of TH Holding for the purpose of considering and, if thought fit, approving the sale and purchase of the Sale Shares, the allotment and issue of the Consideration Shares, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement
“TH Properties”	the investment properties owned by the TH Property Group as at the date of the SP Agreement
“TH Property Group”	the group of companies consisting of TH Property Holding and its subsidiaries
“TH Property Holding”	Town Health Asset Management Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of TH BVI
“TH Technology Centre”	Town Health Technology Centre, whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories, being one of the TH Properties
“Transactions”	the Disposal, the allotment and issue of the Consideration Shares by TH Property Holding to CN BVI and the possible First Right Subscription, all as contemplated under the SP Agreement

LETTER FROM THE BOARD



China Natural Investment Company Limited 中國天然投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8250)

Executive Directors:

Mr. Li Wai Hung

Mr. Chen Liang

Mr. Bai Jian

Independent non-executive Directors:

Mr. Leung Chi Kin

Mr. Tam B Ray, Billy

Mr. Chi Chi Hung, Kenneth

Registered office:

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of business in Hong Kong:*

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Hong Kong

30 October 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION: DISPOSAL OF CN PROPERTY GROUP

INTRODUCTION

Reference is made to the announcement dated 9 September 2012 in which the Company announced that on 7 September 2012 (after trading hours), CN BVI (a wholly-owned subsidiary of the Company), as vendor, and TH Property Holding, as purchaser, entered into the SP Agreement pursuant to which CN BVI has conditionally agreed to sell, and TH Property Holding has conditionally agreed to acquire, the Sale Shares at the Consideration of HK\$195 million. The Consideration will be satisfied by the allotment and issue of the Consideration Shares by TH Property Holding to CN BVI upon Completion. Pursuant to the SP Agreement, TH Property Holding also agreed to grant the First Right to CN BVI to subscribe for shares of TH Property Holding at a maximum consideration of HK\$100 million during the First Right Period.

LETTER FROM THE BOARD

The Disposal as contemplated under the SP Agreement constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. The allotment and issue of the Consideration Shares by TH Property Holding to CN BVI and the transactions as contemplated under the First Right Subscription constitute a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to provide you with details of the SP Agreement, further information of the Group, TH Property Group, the Remaining Group and the Enlarged Group and to give you notice of EGM.

THE SP AGREEMENT

Major terms of the SP Agreement are set out below.

Date:

7 September 2012

Parties:

- (1) CN BVI (a wholly-owned subsidiary of the Company); and
- (2) TH Property Holding.

The principal activity of TH Property Holding is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, TH Property Holding and its ultimate beneficial owners are Independent Third Parties. To the best knowledge of the Directors, as at the Latest Practicable Date, TH Group held 16,424,000 Shares (representing approximately 0.99% of the issued share capital of the Company as at the Latest Practicable Date).

Assets to be disposed of:

CN BVI has conditionally agreed to sell, and TH Property Holding has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of CN Property Holding.

Consideration:

The Consideration is HK\$195 million which will be satisfied by the allotment and issue of the Consideration Shares, which will represent 25% of the issued share capital of TH Property Holding as enlarged by the allotment and issue of the Consideration Shares upon Completion.

The Consideration was determined after arm's length negotiation between TH Property Holding and CN BVI on normal commercial terms with reference to (i) the market value of the CN Properties attributable to CN Property Group as at 30 June 2012 and the market value of the TH Properties attributable to TH Property Group as at 30 June 2012 of approximately HK\$753,740,000 as indicated in the preliminary valuation report of an independent property valuer; and (ii) the unaudited combined net asset value of TH

LETTER FROM THE BOARD

Property Group and CN Property Group as at 30 June 2012 taking into account the adjustments as set out in the paragraphs headed “Information about CN Property Group” and “Information about TH Property Group” below.

Conditions Precedent:

Completion shall be conditional upon the following conditions precedent:

- (a) the sale and purchase of the Sale Shares, the allotment and issue of the Consideration Shares, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement having been approved by the shareholders of TH Holding (who are not required to abstain from voting in such respect under the Listing Rules or otherwise) at the TH Holding General Meeting;
- (b) the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement having been approved by the Shareholders (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the EGM;
- (c) TH Property Holding being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that TH Property Holding may consider necessary) on CN Property Group and its assets, properties, liabilities, activities, operations, prospects and other status which TH Property Holding, its agents or professional advisers think reasonably necessary and appropriate to conduct including, in particular, that the relevant CN Property Group’s titles to the relevant CN Properties being proved to the reasonable satisfaction to TH Property Holding;
- (d) CN BVI being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that CN BVI may consider necessary) on the TH Property Group and its assets, properties, liabilities, activities, operations, prospects and other status which CN BVI, its agents or professional advisers think reasonably necessary and appropriate to conduct including, in particular, that the relevant TH Property Group’s titles to the relevant TH Properties being proved to the reasonable satisfaction to CN BVI;
- (e) the fair value of CN Properties as at a date not more than four (4) months from the date of the TH Holding General Meeting as valued by an independent professional valuer and indicated in its valuation report being not less than HK\$189,900,000;
- (f) the fair value of the TH Properties as at a date not more than four (4) months from the date of the EGM as valued by an independent professional valuer and indicated in its valuation report being not less than HK\$571,250,000;
- (g) (if applicable) all such waivers, consents or other documents as TH Property Holding may require in relation to the completion of the transactions contemplated under the SP Agreement;

LETTER FROM THE BOARD

- (h) (if applicable) all such waivers, consents or other documents as CN BVI may require in relation to the completion of the transactions contemplated under the SP Agreement;
- (i) there is no breach of any of the representations and warranties given by CN BVI under the SP Agreement; and
- (j) there is no breach of any of the representations and warranties given by TH Property Holding under the SP Agreement.

The Conditions Precedent referred to in items (a), (b), (e), (f), (g) and (h) above are not capable of being waived by any of the parties.

TH Property Holding may waive the Conditions Precedent referred to in items (c) and (i) by written notice to CN BVI.

CN BVI may waive the Conditions Precedent referred to in items (d) and (j) by written notice to TH Property Holding. CN BVI does not have any current intention to waive any of the above mentioned Conditions Precedent.

As at the Latest Practicable Date, Condition Precedent referred to in item (f) had been fulfilled.

If any of the Conditions Precedent cannot be fulfilled or waived (if applicable) on or before the Long Stop Date, the obligations of the parties to proceed with Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

Completion:

Completion will take place on the fifth Business Day after the last outstanding Conditions Precedent is fulfilled or waived or such other date as TH Property Holding and CN BVI shall agree in writing.

Immediately after Completion, (i) each member of CN Property Group will cease to be a subsidiary of the Company; and (ii) CN Property Holding will become a wholly-owned subsidiary of TH Property Holding which will in turn be owned as to 75% by TH BVI and 25% by CN BVI.

Shareholders' Agreement

At Completion, TH BVI and CN BVI will enter into a Shareholders' Agreement to set out the arrangements in relation to their participation and respective shareholding in TH Property Holding. The major terms of the Shareholders' Agreement are set out below:

- (1) CN BVI shall be entitled to nominate one person to act as a director of TH Property Holding out of a total of four directors of TH Property Holding with the remaining three to be nominated by the TH BVI;

LETTER FROM THE BOARD

- (2) the following matters of the TH Property Group would require the consent, authorization or ratification of all shareholders of TH Property Holding individually holding not less than 20% of voting shares of TH Property Holding:
 - (a) change in the share capital structure of any member of the Enlarged TH Property Group, including but not limited to any consolidation or subdivision of shares and any increase or reduction in the share capital;
 - (b) in respect of any member of the Enlarged TH Property Group, save as contemplated in the SP Agreement and/or the Shareholders' Agreement, issue of any new shares or granting any option over or right to acquire any shares or creating or granting any rights or interests convertible or exchangeable into shares or securities convertible or exchangeable into shares;
 - (c) change in the nature or scope of the business of any member of the Enlarged TH Property Group; and
 - (d) approving any resolution to wind up any member of the Enlarged TH Property Group (whether by way of compulsory winding-up or creditors' voluntary winding-up or otherwise) or enter into receivership or make any composition or arrangement with its creditors.
- (3) Subject to any applicable legal requirements, the provisions of the constitution documents of TH Property Holding, any restrictions imposed under any loan agreements, security documents or other contracts, not less than 20% of the profits or, where applicable, the consolidated profits of the TH Property Holding attributable to the shareholders for each financial year, after making adequate reserve for the following items, shall be distributed to the shareholders:
 - (a) taxation of any form;
 - (b) actual or contingent liabilities;
 - (c) reasonable working capital;
 - (d) accumulated amount of losses; and
 - (e) other purposes which the directors of TH Property Holding shall consider reasonable.
- (4) Subject to the right of first refusal as mentioned below, CN BVI shall not mortgage, pledge, charge or transfer any of the Consideration Shares and any shares of TH Property Holding which may be allotted and issued to CN BVI as contemplated under the First Right Subscription.
- (5) If either CN BVI or TH BVI proposes to transfer any of the shares held by them in TH Property Holding to any third party, the existing shareholder(s) shall have a right of first refusal to acquire such shares.

LETTER FROM THE BOARD

FIRST RIGHT OF SUBSCRIPTION

Under the SP Agreement, TH Property Holding has further agreed and undertaken that, within the First Right Period, in case TH Property Holding proposes to raise fund by issue of new shares of TH Property Holding, it shall offer the First Right to CN BVI to subscribe for the First Right Shares to be effected by a notice in writing (“**Funding Notice**”) to CN BVI which shall specify (i) the amount of consideration (“**Subscription Consideration**”) to be payable by CN BVI upon exercise of the First Right, provided that the aggregate amounts stated in all the Funding Notices (whether paid or payable), in case there are more than one, shall not exceed HK\$100 million; (ii) the Adjusted NAV (as defined below) being the basis for determining the number of First Right Shares and (iii) the number of First Right Shares and the percentage of holding in TH Property Holding that such First Right Shares represent (as a percentage of the issued share capital of TH Property Holding as enlarged by the allotment and issue of the First Right Shares).

CN BVI shall, upon receipt of the Funding Notice, within twenty (20) Business Days reply in writing to TH Property Holding stating its agreement to exercise (“**Exercise Notice**”) the First Right which shall be in respect of the whole (but not part only) of the Subscription Consideration.

In case CN BVI does not give the Exercise Notice within the prescribed period of time, the First Right under the relevant Funding Notice shall cease to be valid and TH Property Holding shall be entitled to raise fund by (i) rights issue, if agreed by all the then shareholders of TH Property Holding; or (ii) other means agreed by TH Property Holding and its shareholders.

Upon receipt of the Exercise Notice issued by CN BVI, TH Property Holding shall be obliged to allot and issue to CN BVI the number of the First Right Shares (and not part only) as stated in the Funding Notice. Completion of the allotment and issue of the First Right Shares shall be completed on the fifth Business Day (or such other date as agreed between CN BVI and TH Property Holding) after TH Property Holding’s receipt of the Exercise Notice.

CN BVI and TH Property Holding agree that in order to determine the number of First Right Shares to be allotted and issued upon exercise of the First Right, TH Property Holding shall arrange for a valuation of the properties (“**Subscription Property Valuation**”) then owned by the Enlarged TH Property Group to estimate the fair value (“**Subscription Property Fair Value**”) of such properties as at the last calendar day of the then preceding calendar month (“**Valuation Date**”) to be indicated in a valuation report (“**Subscription Property Valuation Report**”) to be issued by an independent professional valuer engaged by TH Property Holding (“**Valuer**”).

TH Property Holding shall then prepare the unaudited management accounts (“**Pro forma Management Accounts**”) of the Enlarged TH Property Group for the period ended on the Valuation Date after taking into account the Subscription Property Fair Value as indicated in the Subscription Property Valuation Report and any acquisition or disposal of the properties by the Enlarged TH Property Group since the Valuation Date in accordance with applicable accounting standards within ten (10) Business Days upon issuance of the Subscription Property Valuation Report by the Valuer.

LETTER FROM THE BOARD

The number of First Right Shares to be allotted and issued to CN BVI shall be determined in accordance with the following formula:

$$N = (S + N) \times \frac{C}{\text{Adjusted NAV} + C}$$

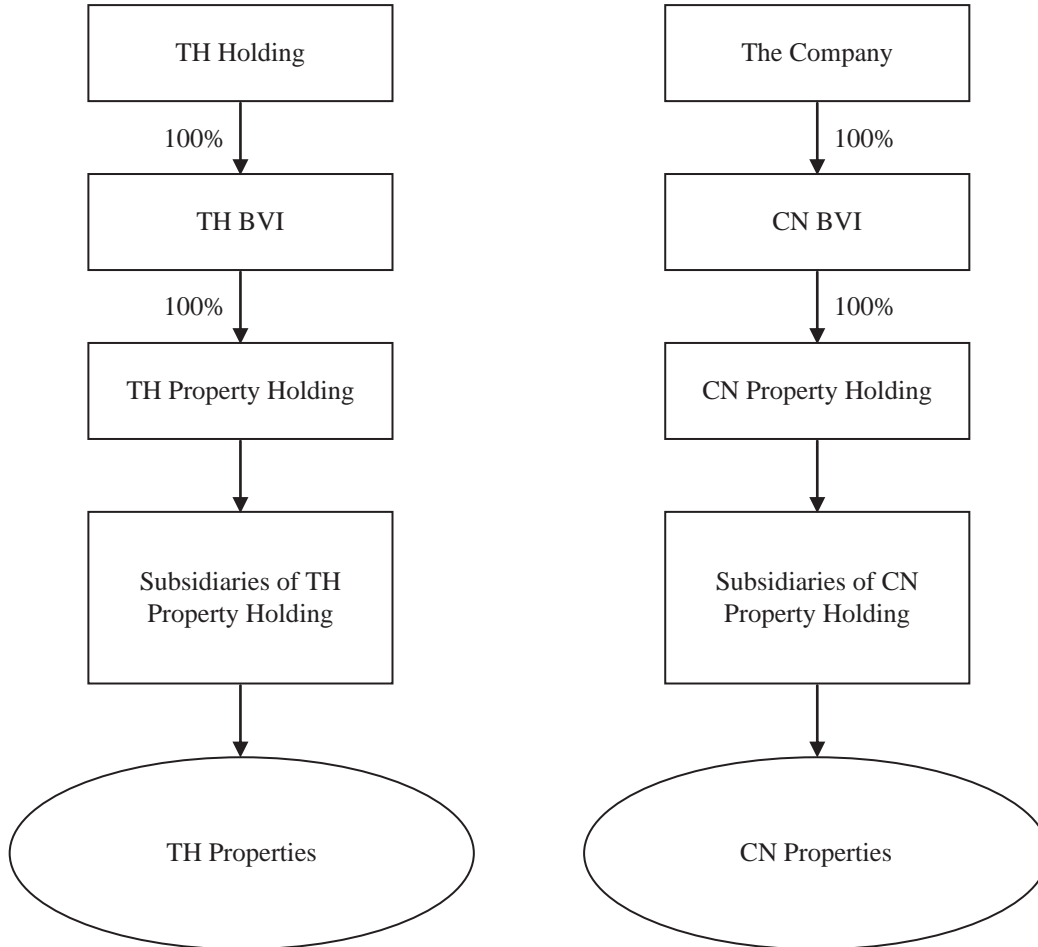
- “N” = number of First Right Shares to be allotted and issued to CN BVI (rounded down to the nearest whole number), provided that the total number of First Right Shares to be subscribed by CN BVI during the First Right Period (whether pursuant to one or more than one Funding Notice) shall not be more than 25% of the total number of issued shares of TH Property Holding immediately after Completion
- “S” = total number of issued shares of TH Property Holding as at the date of the Funding Notice
- “C” = Subscription Consideration specified in the Funding Notice
- “Adjusted NAV” = The net asset value of the Enlarged TH Property Group as shown in the Pro forma Management Accounts

For the avoidance of doubt, under the First Right Subscription, the actual Subscription Consideration will be determined by TH Property Holding with a cap of HK\$100,000,000, and CN BVI’s maximum percentage of shareholding in TH Property Holding after the First Right Subscription (which shall be determined by reference to the formula above) will be capped at 40% of the enlarged issued share capital of TH Property Holding. If the First Right has been accepted and exercised by CN BVI in full, CN BVI shall pay the Subscription Consideration of HK\$100,000,000 to TH Property Holding to subscribe for the First Right Shares (in such number representing not more than 25% of the total number of issued shares of TH Property Holding immediately after Completion). Upon completion of such exercise of the First Right and assuming that (i) there is no other change of share capital of TH Property Holding from the Completion Date to the date of such exercise of the First Right; and (ii) the First Right Shares as determined in accordance with the above formula will represent 25% of the total issued shares of TH Property Holding immediately after Completion, TH Property Holding will then be owned as to approximately 60% by TH BVI and 40% by CN BVI.

LETTER FROM THE BOARD

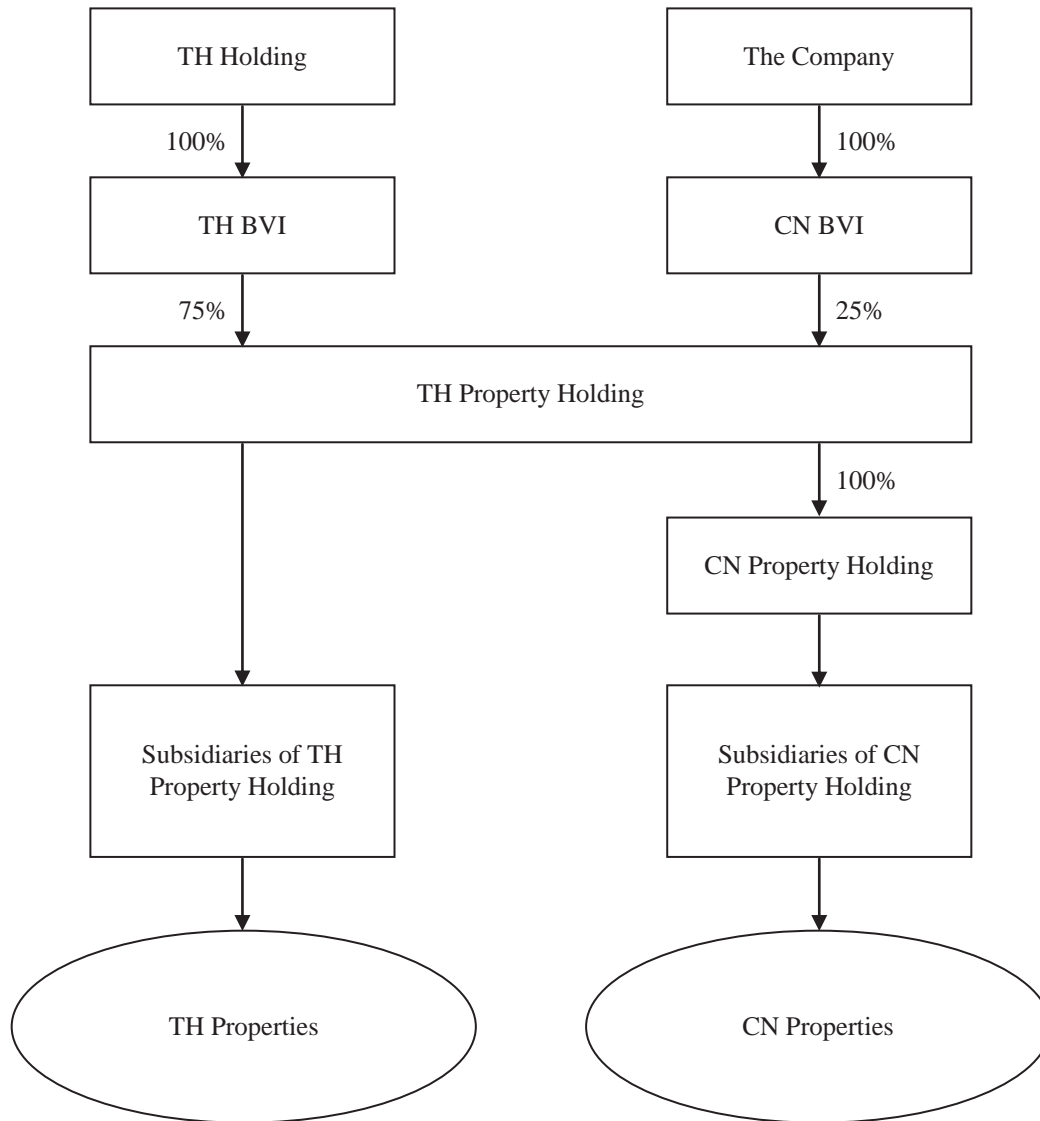
SHAREHOLDING STRUCTURE

Set out below is the simplified shareholding structure of TH Property Group and CN Property Group as at the date of the SP Agreement.



LETTER FROM THE BOARD

Set out below is the simplified shareholding structure of TH Property Group and CN Property Group immediately upon Completion.



LETTER FROM THE BOARD

INFORMATION ABOUT CN PROPERTY GROUP

CN Property Group is principally engaged in properties investment. Set out below are the locations of the CN Properties:

	Location	Attributable interest to CN Property Group
1.	Flat A on 12th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon	100%
2.	Flat K on 9th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon	100%
3.	Shop nos. 53 and 56, 54 and 57 on Ground Floor, Commercial Centre, Fullview Garden, No. 18 Siu Sai Wan Road, Hong Kong	100%
4.	Shop no. G12 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	100%
5.	Flat G on 14th Floor, Tai Shan Mansion, Kao Shan Terrace, No. 7 Taikoo Shing Road, Taikoo Shing, Hong Kong	100%
6.	Shop nos. G27 and G28 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	100%
7.	Public Carpark nos. P101-P150 together with Shroff's Office on First Floor, Citimark, No. 28, Yuen Shun Circuit, Shatin, New Territories	100%
8.	Shop no. 21 on Ground Floor, Grandway Garden, No. 16 Mei Tin Road and Nos. 15 & 35 Tsuen Nam Road, Shatin, New Territories	100%

All of the CN Properties are leased to Independent Third Parties (one of which is a subsidiary of TH Holding and one of which is an associated company of TH Holding).

LETTER FROM THE BOARD

Set out below is a summary of certain unaudited combined financial information of the CN Property Group for the two years ended 30 June 2011 and 30 June 2012:

	For the year ended 30 June 2011	For the year ended 30 June 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6,196	6,706
Net profit (before taxation and extraordinary items)	14,794	11,877
Net profit (after taxation and extraordinary items)	14,282	11,368

The unaudited combined total asset value and net asset value of CN Property Group as at 30 June 2012 were approximately HK\$217,717,000 and HK\$5,400,000 respectively. Before taking into account the revaluation of the CN Properties as described below, the book value of the CN Properties (excluding property no. 5 as set out in the paragraph headed "Information about CN Property Group" above the acquisition of which was completed in August 2012) as at 30 June 2012 was approximately HK\$161,213,000. The market value of the CN Properties attributable to CN Property Group (excluding property no. 5 as set out in the paragraph headed "Information about CN Property Group" above the acquisition of which was completed in August 2012) as at 30 June 2012 is HK\$183,300,000 as indicated in the preliminary valuation report of an independent property valuer. After 30 June 2012 but before the date of the SP Agreement, CN Property Holding has capitalised a shareholder's loan in the amount of approximately HK\$161,600,000. The unaudited combined net asset value of CN Property Group as at 30 June 2012 was increased to HK\$167,000,000 as a result of the capitalisation of the shareholder's loan.

INFORMATION ABOUT TH PROPERTY GROUP

TH Property Group is principally engaged in properties investment. Set out below are the locations of the TH Properties:

Location	Attributable interest to TH Property Group
1. Town Health Technology Centre, whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	100%
2. Shop C2 of Shop C on Ground Floor, Carson Mansion, Nos. 4-6 Dung Fat Street, Nos. 46-50 Lo Tak Court, Nos. 3-5 On Wing Street, Tsuen Wan, New Territories	70%
3. Shop 9 on Ground Floor, No. 49 Kai Tin Road, Kowloon	100%

LETTER FROM THE BOARD

Location	Attributable interest to TH Property Group
4. Shop no. G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	100%
5. Shop 37 on Level 1 and Carpark 39 at Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories	100%
6. Shop 7 on Ground Floor, Tin Po Building, Nos. 94, 96, 98 & 102 Tai Wai Road & Nos. 102-108 Chik Fuk Street, Shatin, New Territories	100%
7. Commercial unit 16B on Ground Floor of Commercial & Garage Block, Carado Garden, Nos. 20-30 Tin Sam Street, Shatin, New Territories	100%
8. Flat E on 5th Floor of Block 3, Wai Wah Centre, Nos. 11-17 Shatin Centre Street, Shatin, New Territories	100%
9. Shop 1D on First Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories	100%
10. Shop C on Ground Floor, Carprio Mansion, No. 1 Lai Chi Kok Road, Kowloon	100%
11. Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	100%
12. Shop 3 on Ground Floor, Bo Yan Building, No. 1 Horse Shoe Lane, Kowloon	100%
13. Shop no. 74, Harmony Garden, No. 9 Siu Sai Wan Road, Hong Kong	100%
14. Office and ancillary areas on 6th Floor, Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong	100%
15. Workshop nos. 1 and 2 on 12th Floor, Entrepot Centre, No. 117 How Ming Street, Kowloon	100%

All of the TH Properties above are investment properties, most of which have been leased out to the Independent Third Parties or subsidiaries of TH Holding.

LETTER FROM THE BOARD

TH Property Group also holds the following land and properties which are self-used by TH Group:

Location	Attributable interest to TH Property Group
1. Workshop 17 and 18 on 4th Floor, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories	100%
2. Workshop 20 with Lavatories and Flat Roof on 3rd Floor (otherwise known as Upper Ground Floor), Goldfield Industrial Centre, No. 1 Sui Wo Road, Shatin, New Territories	100%
3. Flat 3 on 25th Floor of Block D, Hilton Plaza, Nos. 3-9 Sha Tin Centre Street, Shatin, New Territories	100%

Set out below is a summary of certain audited combined financial information of TH Property Group for the two years ended 31 December 2010 and 31 December 2011:

	For the year ended 31 December 2010	For the year ended 31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from continuing operations	8,228	25,639
Net profit from continuing operations (before taxation and extraordinary items)	27,980	25,042
Net profit from continuing operations (after taxation and extraordinary items)	27,555	24,571

The audited combined total asset value and net asset value of TH Property Group as at 30 June 2012 were approximately HK\$654,073,000 and HK\$150,159,000 respectively. Before taking into account the revaluation of the TH Properties as described below, the book value of the TH Properties attributable to TH Property Group as at 30 June 2012 was approximately HK\$494,900,000. Based on the property valuation report set out in Appendix V to this circular, the market value of the TH Properties as at 30 June 2012 is HK\$571,250,000. This figure has taken account of 100% interest of property no. 2. TH Property Holding holds only 70% of property no. 2. Therefore, the market value of the TH Properties attributable to TH Property Holding as at 30 June 2012 is HK\$563,840,000 (being the market value of the TH Properties as at 30 June 2012 as shown in the valuation report as set out in Appendix V to this circular less 30% of the market value of property no. 2 of the TH Properties). After 30 June 2012 but before the date of the SP Agreement, TH Property Holding has capitalised a shareholder's loan in the amount of approximately HK\$427,317,000. The audited combined net asset value of TH Property Group as at 30 June 2012 was increased to HK\$577,476,000 as a result of the capitalisation of the shareholder's loan.

LETTER FROM THE BOARD

The Board noted that TH Property Group recorded significant administrative expenses since 2009. The administrative expenses mainly comprised of the depreciation expenses of TH Technology Centre (being property no.1 as set out in the paragraph headed “Information about TH Property Group”). TH Property Group recorded significant administrative expenses during the two years ended 31 December 2011 and the six months ended 30 June 2012. Such administrative expenses are more than the revenue recorded by TH Property Group during the same period. The Directors noted that such administrative expenses mainly comprised of depreciation expenses of TH Technology Centre which was held by TH Group as self-use property since 2009 and was reclassified as investment property at 30 June 2012. As (i) the depreciation expenses are non-cash in nature, and (ii) TH Property Group was able to generate positive operating cash flows after movement in working capital but before taking into account of the change in amount due from/to fellow subsidiaries during the two years ended 31 December 2011 and the six months ended 30 June 2012, the Directors consider that the high depreciation expenses would not affect the investment decision of the Group.

The Directors also noted that the operation of TH Property Group was funded by its holding company during the two years ended 31 December 2011 and the six months ended 30 June 2012. As after 30 June 2012, TH Property Holding has capitalised a substantial portion of the shareholder’s loan, the Directors consider that the net assets value of TH Property Holding has significantly improved.

MANAGEMENT DISCUSSION AND ANALYSIS OF TH PROPERTY GROUP

For the nine months ended 31 December 2009

Liquidity and financial resources

The TH Property Group generally financed its operations through a combination of internally generated from its operating activities, its fellow subsidiaries and TH Holding. All loans are unsecured and interest free.

Net current liabilities amounted to approximately HK\$217,038,000. Current ratio (defined as total current assets divided by total current liabilities) was 0.05 times.

As at 31 December 2009, TH Property Group held cash and bank balances of approximately HK\$3,908,000.

Capital structure

As at 31 December 2009, total equity attributable to owners of TH Property Group was approximately HK\$16,461,000. Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.93.

LETTER FROM THE BOARD

Comments on segmental information

In recent years, the local property market has been booming, and as a result, investment returns of TH Property Group's property portfolio have been encouraging for the nine months ended 31 December 2009. TH Property Group has well positioned its business strategy in diversifying and expanding its property investment business segment through a prudent approach. TH Property Group recorded rental income of approximately HK\$2,984,000 for its property investments for the nine months ended 31 December 2009.

Significant acquisitions

TH Property Group had the following material acquisitions during the nine months ended 31 December 2009:

- i) Town Health Technology Centre, whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories at a consideration of HK\$121,000,000;
- ii) Shop 9 on Ground Floor, No. 49 Kai Tin Road, Kowloon at a consideration of HK\$15,800,000; and
- iii) Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon at a consideration of HK\$18,000,000.

Business strategies and future prospects

As at 31 December 2009, other than investment in the properties, TH Property Group had no other material business plans.

Capital commitment

At 31 December 2009, TH Property Group had no capital expenditure contracted for but not provided.

Employee, remuneration policy and share option scheme

As at 31 December 2009, there were 37 staff members employed by TH Property Group.

TH Property Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options of TH Holding may be granted to selected staff by reference to TH Property Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

Charge on assets

As at 31 December 2009, certain properties of TH Property Group were pledged to secure general banking facilities granted to TH Holding and an indirect wholly-owned subsidiary of TH Holding.

LETTER FROM THE BOARD

Contingent liabilities

As at 31 December 2009, TH Property Group had no material contingent liabilities.

Foreign exchange exposure

Most of the trading transactions, assets and liabilities of TH Property Group were denominated in Hong Kong dollars. TH Property Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during the nine months ended 31 December 2009.

For the year ended 31 December 2010

Liquidity and financial resources

TH Property Group generally financed its operations through a combination of internally generated from its operating activities, its fellow subsidiaries and TH Holding. All loans are unsecured and interest free.

Net current liabilities amounted to approximately HK\$414,580,000. Current ratio (defined as total current assets divided by total current liabilities) was 0.05 times.

As at 31 December 2010, TH Property Group held cash and bank balances of approximately HK\$3,248,000.

Capital structure

As at 31 December 2010, total equity attributable to owners of TH Property Group was approximately HK\$41,434,000. Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.91.

Comments on segmental information

Taking advantage of the prospering property market, TH Property Group has been actively participating in building its property investment portfolio for the year ended 31 December 2010. For the year ended 31 December 2010, the rental income generated by the investment properties was approximately HK\$8,228,000 and enjoyed valuation gains from the investment properties of approximately HK\$34,567,000.

For the year ended 31 December 2010, the administrative expenses of TH Property Group amounted to approximately HK\$16.1 million. The administrative expenses mainly comprised of the depreciation expenses of approximately HK\$9.0 million (which is non-cash in nature) of TH Technology Centre.

LETTER FROM THE BOARD

Significant acquisitions

For the year ended 31 December 2010, TH Property Group had the following material acquisitions:

- (i) Shop no. G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon at a consideration of HK\$15,900,000;
- (ii) Shop 1D on First Floor, Fou Wah Centre, No. 210 Cestle Peak Road, Tsuen Wan, New Territories at a consideration of HK\$19,100,000; and
- (iii) Shop C on Ground Floor, Carprio Mansion, No. 1 Lai Chi Kok Road, Kowloon at a consideration of HK\$25,000,000.

Business strategies and future prospects

As at 31 December 2010, other than investment in the properties, TH Property Group had no other material business plans.

Capital commitment

At 31 December 2010, TH Property Group had no capital expenditure contracted for but not provided.

Employee, remuneration policy and share option scheme

As at 31 December 2010, there were 12 staff members employed by TH Property Group.

TH Property Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options of TH Holding may be granted to selected staff by reference to TH Property Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

Charge on assets

As at 31 December 2010, certain properties of TH Property Group were pledged to secure general banking facilities granted to TH Holding and an indirect wholly-owned subsidiary of TH Holding.

Contingent liabilities

As at 31 December 2010, TH Property Group had no material contingent liabilities.

LETTER FROM THE BOARD

For the year ended 31 December 2011

Liquidity and financial resources

TH Property Group generally financed its operations through a combination of internally generated from its operating activities, its fellow subsidiaries and TH Holding. All loans are unsecured and interest free.

Net current liabilities amounted to approximately HK\$465,571,000. Current ratio (defined as total current assets divided by total current liabilities) was 0.02 times.

As at 31 December 2011, TH Property Group held cash and bank balances of approximately HK\$1,969,000.

Capital structure

As at 31 December 2011, total equity attributable to owners of TH Property Group was approximately HK\$62,035,000. Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.88.

Comments on segmental information

Taking advantage of the prospering property market, TH Property Group has been further expanding its property investment portfolio for the year ended 31 December 2011. For the year ended 31 December 2011, the rental income generated by the investment properties was approximately HK\$25,639,000 and enjoyed valuation gains from the investment properties of approximately HK\$29,945,000.

For the year ended 31 December 2011, the administrative expenses of TH Property Group amounted to approximately HK\$33.5 million. The administrative expenses mainly comprised of the depreciation expenses of approximately HK\$20.6 million (which is non-cash in nature) of TH Technology Centre.

Significant acquisitions

For the year ended 31 December 2011, TH Property Group had one material acquisition of Office and Ancillary Areas on the 6th Floor, Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong at a consideration of HK\$54,522,800.

Business strategies and future prospects

As at 31 December 2011, other than investment in the properties, TH Property Group had no other material business plans.

Capital commitment

At 31 December 2011, TH Property Group had no capital expenditure contracted for but not provided.

LETTER FROM THE BOARD

Employee, remuneration policy and share option scheme

As at 31 December 2011, there were 7 staff members employed by TH Property Group.

TH Property Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options of TH Holding may be granted to selected staff by reference to TH Property Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

Charge on assets

As at 31 December 2011, certain properties of TH Property Group were pledged to secure general banking facilities granted to TH Holding and an indirect wholly-owned subsidiary of TH Holding.

Contingent liabilities

As at 31 December 2011, TH Property Group had no material contingent liabilities.

Foreign exchange exposure

Most of the trading transactions, assets and liabilities of TH Property Group were denominated in Hong Kong dollars. It is TH Property Group's policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. TH Property Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during the year ended 31 December 2011.

For the six months ended 30 June 2012

Liquidity and financial resources

The TH Property Group generally financed its operations through a combination of internally generated from its operating activities, its fellow subsidiaries and TH Holding. All loans are unsecured and interest free.

Net current liabilities amounted to approximately HK\$471,963,000. Current ratio (defined as total current assets divided by total current liabilities) was 0.06 times.

As at 30 June 2012, TH Property Group held cash and bank balances of approximately HK\$5,030,000.

Capital structure

As at 30 June 2012, total equity attributable to owners of TH Property Group was approximately HK\$146,424,000. Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.77.

LETTER FROM THE BOARD

Comments on segmental information

Taking advantage of the prospering property market, TH Property Group has been further expanding its property investment portfolio for the six months ended 30 June 2012. For the six months ended 30 June 2012, the rental income generated by the investment properties was approximately HK\$13,845,000 and enjoyed valuation gains from the investment properties of approximately HK\$69,960,000.

For the six months ended 30 June 2012, the administrative expenses of TH Property Group amounted to approximately HK\$15.5 million. The administrative expenses mainly comprised of the depreciation expenses of approximately HK\$9.8 million (which is non-cash in nature) of TH Technology Centre.

Significant acquisition

For the six months ended 30 June 2012, TH Property Group had no significant acquisition.

Business strategies and future prospects

As at 30 June 2012, other than investment in the properties, TH Property Group had no other material business plans.

Capital commitment

At 30 June 2012, TH Property Group had no capital expenditure contracted for but not provided.

Employee, remuneration policy and share option scheme

As at 30 June 2012, there were 9 staff members employed by TH Property Group.

TH Property Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options of TH Holding may be granted to selected staff by reference to TH Property Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

Charge on assets

As at 30 June 2012, certain properties of TH Property Group were pledged to secure general banking facilities granted to TH Holding and an indirect wholly-owned subsidiary of TH Holding.

Contingent liabilities

As at 30 June 2012, TH Property Group had no material contingent liabilities.

LETTER FROM THE BOARD

Foreign exchange exposure

Most of the trading transactions, assets and liabilities of TH Property Group were denominated in Hong Kong dollars. TH Property Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during the six months ended 30 June 2012.

PROPERTY INTERESTS

RHL Appraisal Limited, an independent valuer, has valued the property interests held by TH Property Group as at 31 August 2012. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix V to this circular. Disclosure of the reconciliation of the valuation figure and the book value of such property interests as required under Rule 8.30 of the GEM Listing Rules is set out below:

	Properties for owner occupation <i>HK\$</i>	Investment properties <i>HK\$</i>
Net book value as at 30 June 2012 (as extracted from Appendix III to this circular)		
– at cost	1,409,635	–
– at fair value	<u>–</u>	<u>571,250,000</u>
Valuation as at 30 June 2012 (as extracted from Appendix V to this circular)	14,010,000	571,250,000
Fair value changes	<u>750,000</u>	<u>24,600,000</u>
Valuation as at 31 August 2012 (as extracted from Appendix V to this circular)	<u>14,760,000</u>	<u>595,850,000</u>

LETTER FROM THE BOARD

RHL Appraisal Limited, an independent valuer, has valued the property interests held by the Group as at 31 August 2012. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix V to this circular. Disclosure of the reconciliation of the valuation figure and the book value of such property interests as required under Rule 8.30 of the GEM Listing Rules is set out below:

	Investment properties HK\$
Net book value as at 30 June 2012 (as extracted from Appendix II to this circular) – at fair value	<u>183,300,000</u>
Valuation of the properties held by the Group as at 30 June 2012	183,300,000
Valuation of the property at Flat G,14/F, Tai Shan Mansion, Kao Shan Terrace, No.7 Taikoo Shing Road, Taikoo Shing, Hong Kong as at 30 June 2012, acquired by the Group on 28 August 2012	<u>6,600,000</u>
Valuation as at 30 June 2012 (as extracted from Appendix V to this circular)	189,900,000
Fair value changes	<u>8,650,000</u>
Valuation as at 31 August 2012 (as extracted from Appendix V to this circular)	<u>198,550,000</u>

REASONS FOR AND BENEFITS OF THE DISPOSAL

Prior to the entering into the SP Agreement, there were prior business relationship between the Group and TH Group. At present, the Group is providing public relationship advisory services to TH Group and one of the CN Properties is leased to a subsidiary of TH Group. The senior management of the Group and TH Group were therefore acquainted with each other for some time. In or around July 2012, the senior management of CN Property Group and TH Property Group have started to evaluate the possibility of forming a joint venture for property investment in Hong Kong. Thereafter, due diligence works have been started to evaluate the market value of the property portfolio of each other and finally the Group and TH Group have agreed to form a joint venture to consolidate each other's investment property portfolio so as to form a larger property investment group.

In return for the Disposal, the Company will receive 25% shareholding in TH Property Holding. TH Property Holding will become a joint venture between the Group and TH Group for property investment in Hong Kong. As set out in the paragraph headed "Information about TH Property Group", TH Property Group has a wide portfolio of property investment in Hong Kong. The Directors believe that the Group is able to invest in a larger portfolio of property investment through the joint venture, which can increase shareholder's value in a long run. The Directors also trust that the joint venture with TH Group could ride on the synergies of TH Group in terms of scale and management structure. TH Group has its own asset management team which is responsible for (i) managing the relationship with and handling requests from the tenants of the

LETTER FROM THE BOARD

properties; (ii) managing the property portfolio (which includes identifying and selection of potential tenants and potential investment properties); (iii) reviewing the property portfolio from time to time in order to assess the reasonableness of the yield of different investment properties; and (iv) analyzing the property investment recommendation and reports from the properties agencies. TH Group also has established relationship with a number of renowned property agencies who will periodically prepare and present property investment proposal (which will include analysis of yield rate, price trend, zoning plan of property market) and introduce potential investment properties to TH Group. It is expected that TH Property Group will continue its present property investment strategies, i.e. identifying suitable commercial, industrial or residential properties with reasonable yield rate and appreciation potentials for investment purposes. It is also expected that the future source of funding of TH Property Group will be in a combination of (i) bank borrowings, (ii) internally generated funds from ordinary course of business and (iii) shareholder's fund. After the Disposal, the Group will be benefited from sharing the profits of the Enlarged TH Property Group which will be managed by the professional and experienced asset management team of TH Group and the network of the TH Group as described above. The Directors believe that such enhanced network and potential investment opportunities are expected to bring better return to the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is the current intention of the Company that all its future property investment business will be carried out under the Enlarged TH Property Group. After the Disposal, rental income from the Group's property investment segment will cease to be a revenue generator of the Group. Instead, the Group will share the results of the Enlarged TH Property Group after the Disposal according to its shareholding in TH Property Holding.

Apart from the property investment business, the Group's two core business segments are (i) manufacturing and sale of pharmaceutical products; and (ii) provision of advertising and public relations services.

Provision of advertising and public relations business

The Group's public relations segment achieved revenue of approximately HK\$26,030,000, which accounted for 45.47% of the Group's total revenue for the year ended 30 June 2012. This business segment continues to provide the Group with a steady source of income and the Group would strengthen this core business segment at the right time to widen the profitability.

Manufacturing and sale of pharmaceutical products

Revenue from the pharmaceutical business was approximately HK\$25,008,000, which accounted for 43.69% of the Group's total revenue for the year ended 30 June 2012. Through the existing well-established distribution network, the pharmaceutical business continues generate steady returns to the Group. Nevertheless, the Group is facing the challenges ahead with respect of the new licensing requirement as regards operating a Good Manufacturing Practice certified factory in Hong Kong. The Group will review and modify the development strategy in this segment at the right time.

LETTER FROM THE BOARD

Save as disclosed by the Company in its announcement dated 15 May 2012, the Company does not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about (i) any disposal, termination, and/or scaling-down of the Company's existing businesses and major assets of the Group up to the Latest Practicable Date; and (ii) any possible business or assets acquisition up to the Latest Practicable Date.

FINANCIAL EFFECTS OF THE DISPOSAL

As illustrated in Appendix IV to this circular, assuming the Group holds 25% of the issued share capital of TH Property Holding upon Completion (and as if Completion took place on 30 June 2012), (i) the total assets of the Remaining Group will increase from approximately HK\$323.3 million to HK\$349.5 million; (ii) the total liabilities of the Remaining Group will increase from approximately HK\$10.1 million to HK\$36.3 million; (iii) there will be no change to the net assets value of the Remaining Group and (iv) the revenue of the Remaining Group will decrease from approximately HK\$57.2 million to approximately HK\$50.5 million.

As illustrated in Appendix IV to this circular, assuming the Group holds 40% of the issued share capital of TH Property Holding upon Completion (and as if Completion took place on 30 June 2012), (i) the total assets of the Remaining Group will increase from approximately HK\$323.3 million to HK\$349.5 million; (ii) the total liabilities of the Remaining Group will increase from approximately HK\$10.1 million to HK\$36.3 million; (iii) there will be no change to the net assets value of the Remaining Group and (iv) the revenue of the Remaining Group will decrease from approximately HK\$57.2 million to approximately HK\$50.5 million.

Please refer to Appendix IV to this circular for the unaudited pro forma financial information of the Remaining Group which illustrates the financial impact of the Disposal on the assets and liabilities, results and cash flows of the Remaining Group for more details on the bases and assumptions for the preparation of the pro forma financial information of the Remaining Group.

The Group will not receive any sale proceeds from the Disposal. For illustrative purposes only and subject to audit, it is expected that the Group will record a gain (before expenses) of approximately HK\$1,426,000 as a result of the Disposal, being the difference between the Consideration of HK\$195 million and the unaudited combined net asset value of CN Property Group as at 30 June 2012 of approximately HK\$193,574,000 (taking into account the effect of the acquisition of property no. 5 as set out in the paragraph headed "Information about CN Property Group" which was completed in August 2012 and the capitalisation of the shareholder's loan of CN Property Holding).

IMPLICATIONS UNDER THE GEM LISTING RULES

The Disposal as contemplated under the SP Agreement constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. The allotment and issue of the Consideration Shares by TH Property Holding to CN BVI and the transactions as contemplated under the First Right Subscription constitute a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. The Transactions are subject to reporting, announcement and shareholders' approval requirements.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pharmaceutical products, provision of advertising and public relations services, research and development, and property investment.

EGM

The EGM will be held at 10:45 a.m. on Friday, 30 November 2012 at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong, the notice of which is set out on pages EGM-1 to EGM-3 of this circular, for the Shareholder to consider and, if thought fit, approve the Disposal and the transactions as contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement.

In compliance with the GEM Listing Rules, the resolution will be voted on by way of poll at the EGM.

To the best knowledge of the Directors, as at the date of the Latest Practicable Date, TH Group held 16,424,000 Shares (representing approximately 0.99% of the issued share capital of the Company as at the date of the Latest Practicable Date) who is required to abstain from voting at the EGM in respect of the resolutions relating to the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement. Save as aforesaid, no other Shareholder has a material interest in the transactions contemplated under the SP Agreement who will be required to abstain from voting at the EGM in respect of the resolutions relating to the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

RECOMMENDATION

The Directors consider that the terms of the SP Agreement are fair and reasonable and in the interests of the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution set out in the notice of the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

On behalf of the Board
China Natural Investment Company Limited
Li Wai Hung
Chairman

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 30 June 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the years ended 30 June 2010, 2011 and 2012 dated 21 September 2010, 22 September 2011 and 14 September 2012 respectively, which are published on the GEM website at www.hkgem.com and the Company's website at www.chinanatural.com.hk.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from the respective annual reports of the Company for the three year ended 30 June 2012.

For the year ended 30 June 2010 (“FY2010”)***Financial Review***

The Group generally financed its operations through a combination of internally generated from its operating activities, its fellow subsidiaries and ultimate holding company. All loans are unsecured and interest free.

For FY2010, the Group recorded revenue of approximately HK\$4,704,000, representing a decrease of 3.8% compared with the last financial year.

Gross profit for FY2010 was approximately HK\$2,424,000, representing an increase of 39.2% compared with the last financial year.

Basic loss per share was approximately HK0.6 cents compared with the basic earnings per share of approximately HK206.7 cents in the last financial year. The turnaround was mainly attributable to the absence of an one-off gain on early redemption of convertible bonds for FY2010.

Net loss of approximately HK\$1,342,000 was recorded for FY2010 (2009: net profit of approximately HK\$312,419,000).

The Board does not recommend the payment of a final dividend for FY2010.

Review of Operations

For FY2010, the Group's provision of its core diagnostic testing and sale of pharmaceutical products achieved satisfactory results. Revenue from this segment increased by 44.1% to approximately HK\$3,326,000.

The Group is undergoing business consolidation during FY2010 which it has restructured its resources in the healthcare and pharmaceutical businesses, diversifying its core business into three segments – pharmaceuticals, property investment and assets investment related business. We believe that the new strategy will further optimise returns to our shareholders.

During FY2010, the property and asset investments markets enjoyed strong growth. The investments held for trading recorded a gain of approximately HK\$22,239,000 (2009: a loss of approximately HK\$10,211,000).

Liquidity and Financial Resources

As at 30 June 2010, the Group held cash and bank balances of approximately HK\$42,973,000 (2009: HK\$52,926,000). Net current assets amounted to approximately HK\$84,745,000 (2009: HK\$87,947,000).

As at 30 June 2010, current ratio (defined as total current assets divided by total current liabilities) was approximately 71.78 times (2009: 47.69 times). Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.01 (2009: 0.02).

The Group had no bank borrowing as at 30 June 2010 (2009: Nil).

Capital Structure

As at 30 June 2010, total equity attributable to owners of the Company was approximately HK\$146,057,000 (2009: HK\$89,855,000).

Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. The Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during FY2010.

Significant Investments and Acquisitions

For FY2010, the Group had the following significant investments and acquisitions:

- i) the provisional sale and purchase agreement dated 2 October 2009 entered into between China Universal Limited, one subsidiary of the Target Group, as purchaser and Independent Third Parties as vendor for the sale and purchase of the properties, being Shop Nos. 4, 53 and 56, 54 and 57 on Ground Floor, Commercial Centre, Fullview Garden, No. 18 Siu Sai Wan Road, Hong Kong at aggregate consideration of HK\$17,200,000.
- ii) the memorandum dated 7 May 2010 entered into between Core Medical Technology Limited as purchaser and an Independent Third Parties as vendor for the sale and purchase of the properties, being Flat A on 12th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon at a consideration of HK\$11,500,000.

- iii) the provisional sale and purchase agreement dated 13 May 2010 entered into between Talent Vision Limited, one subsidiary of the Target Group, as purchaser and Independent Third Parties as vendor for the sale and purchase of the properties, being Shop nos. G27 and G28 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon at aggregate consideration of HK\$30,000,000.

Capital Commitment

As at 30 June 2010, the Group had no significant capital commitment.

Pledge of Assets

As at 30 June 2010, none of the assets of the Group were pledged as security for any banking facilities.

Employee Information

As at 30 June 2010, there were 8 staff members (2009: 13) employed by the Group.

The Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employee by reference to the Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent Liabilities

As at 30 June 2010, the Group had no significant contingent liabilities.

For the year ended 30 June 2011 ("FY2011")***Financial Review***

The Group generally financed its operations through a combination of internally generated from its operating activities, its fellow subsidiaries and ultimate holding company. All loans are unsecured and interest free.

For FY2011, the Group recorded revenue of approximately HK\$41,903,000, representing an increase of 790.76% compared with the previous year.

Gross profit for FY2011 was approximately HK\$19,127,000, representing an increase of 689.03% compared with the previous year.

Basic loss per share was HK0.3 cents (2010: HK0.6 cents).

Loss attributable to owners of the Company for FY2011 was approximately HK\$1,907,000 (2010: HK\$1,342,000). The loss was mainly due to the impairment losses recognised in respect of goodwill which arose from the acquisition of the Island Kingdom Group during FY2011. Nevertheless, the aforesaid impairment losses are non-cash in nature and do not have any cash flow impact on the Group.

The Board does not recommend the payment of final dividend for FY2011.

Review of Operations

During FY2011, the Group acquired two groups of companies whose principal activities are (i) manufacturing and sale of pharmaceutical products and (ii) provision of advertising and public relations services respectively. Revenue from manufacturing and sale of pharmaceutical products, and provision of advertising and public relations services for FY2011 were approximately HK\$24,888,000 and HK\$11,011,000 respectively.

For FY2011, the property and asset investments markets enjoyed strong growth. The Group recorded rental income generated by the investment properties of approximately HK\$3,568,000 and enjoyed valuation gains from the investment properties of approximately HK\$10,891,000.

The Group recorded a gain arising on change in fair value of financial assets classified as held for trading of approximately HK\$7,149,000 for FY2011.

The Group's revenue represents revenue arising on three main segments of business, namely (i) provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products; (ii) provision of advertising and public relations services; and (iii) property and asset investment. Riding on the steady economic growth in Hong Kong, provision of high quality products and services, together with the Group's vision on prudent business acquisition and strong investment portfolio management, we believe that the prudent investment strategy will create value for our shareholders.

Liquidity and Financial Resources

As at 30 June 2011, the Group held cash and bank balances of approximately HK\$68,900,000 (2010: HK\$42,973,000). Net current assets amounted to approximately HK\$109,698,000 (2010: HK\$84,745,000).

As at 30 June 2011, current ratio (defined as total current assets divided by total current liabilities) was 8.37 times (2010: 71.78 times). Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.05 (2010: 0.01).

The Group had no bank borrowing as at 30 June 2011 (2010: Nil).

Capital Structure

As at 30 June 2011, total equity attributable to owners of the Company was approximately HK\$291,965,000 (2010: HK\$146,057,000).

On 20 April 2010, the Company entered into a placing agreement with a placing agent pursuant to which the Company conditionally agreed to place, through the placing agent and on a best effort basis, a maximum of 243,000,000 new shares at a placing price of HK\$0.43 per share to not fewer than six independent placees under a specific mandate (the “SM Placing I”). On 7 July 2010, the Company entered into a supplemental placing agreement with the placing agent pursuant to which the placing price was revised to HK\$0.22 per share. Details were disclosed in the announcements of the Company dated 20 April 2010 and 7 July 2010 respectively. The SM Placing I was completed on 17 September 2010.

On 24 November 2010, the Company entered into two placing agreements with a placing agent pursuant to which the Company conditionally agreed to place, through the placing agent and on a best effort basis, (i) a maximum of 100,400,000 new shares at a placing price of HK\$0.165 per share to not fewer than six independent placees under a general mandate (the “GM Placing”); and (ii) a maximum of 505,700,000 new shares at a placing price of HK\$0.165 per share to not fewer than six independent placees under a specific mandate (the “SM Placing II”) respectively. Details were disclosed in the announcement of the Company dated 3 December 2010. The GM Placing and the SM Placing II were completed on 16 December 2010 and 16 March 2011 respectively.

For future expansion and development of the Group, the Board proposed an increase in the authorised share capital of the Company from HK\$50,000,000 divided into 1,000,000,000 shares to HK\$500,000,000 divided into 10,000,000,000 shares by creating additional 9,000,000,000 shares. Details were disclosed in the announcement of the Company dated 24 December 2010. Such increase in authorised share capital was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 January 2011.

Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. It is the Group’s policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. The Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during FY2011.

Significant Investments and Acquisitions

For FY2011, the Group had the following significant investments and acquisitions:

- (i) On 9 September 2010, the Group entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Island Kingdom, and all the shareholder’s loans to Island Kingdom and its subsidiary, at an aggregate cash consideration of HK\$21,500,000. The above acquisition constituted a very substantial acquisition for the

Company under the GEM Listing Rules and was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 1 November 2010. Details of the above acquisition were set out in the Company's announcement dated 9 September 2010 and the Company's circular dated 15 October 2010 respectively.

- (ii) On 27 September 2010, the Group announced the acquisition of the public carpark nos. P101-P150 together with shroff's office on 1st Floor, Citimark, No.28 Yuen Shun Circuit, Shatin, New Territories, Hong Kong at a consideration of HK\$17,300,000. Details were disclosed in the Company's announcement dated 27 September 2010.
- (iii) On 11 November 2010, the Group announced the acquisition of Shop No. G12, Ground Floor, Commercial Podium, Sincere House, No.83 Argyle Street, Kowloon, Hong Kong at a consideration of HK\$17,460,000. Details were disclosed in the Company's announcement dated 11 November 2010.
- (iv) On 24 November 2010, the Group entered into two sale and purchase agreements for the acquisition of the entire issued share capital of PR ASIA, at an aggregate cash consideration of HK\$33,600,000. PR ASIA is a Hong Kong-based public relations company focusing on financial communications. The above acquisition constituted a very substantial acquisition for the Company under the GEM Listing Rules and was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 January 2011. Details of the above acquisition were set out in the Company's announcement dated 3 December 2010 and the Company's circular dated 31 December 2010 respectively.
- (v) On 30 March 2011, the Group announced the acquisition of Shop No.21, Ground Floor, Grandway Garden, No.16 Mei Tin Road and Nos.15 and 35 Tsuen Nam Road, Shatin, New Territories, Hong Kong at a consideration of HK\$40,427,000. Details were disclosed in the Company's announcement dated 30 March 2011.
- (vi) On 30 June 2011, the Group announced the acquisition of Flat K, 9th Floor, Champion Building, Nos.301-309 Nathan Road, Kowloon, Hong Kong at a consideration of HK\$15,500,000. Details were disclosed in the Company's announcement dated 30 June 2011.

Capital Commitment

As at 30 June 2011, the Group had no significant capital commitment.

Pledge of Assets

As at 30 June 2011, none of the assets of the Group were pledged as security for any banking facilities.

Employee Information

As at 30 June 2011, there were 129 staff members (2010: 8) employed by the Group.

The Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employees by reference to the Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent Liabilities

As at 30 June 2011, the Group had no significant contingent liabilities.

For the year ended 30 June 2012 ("FY2012")***Financial Review***

The Group generally financed its operations through a combination of internally generated from its operating activities, its fellow subsidiaries and ultimate holding company. All loans are unsecured and interest free.

For FY2012, the Group recorded revenue of approximately HK\$57,245,000, representing an increase of 36.6% compared with the previous year.

Gross profit for FY2012 was approximately HK\$25,160,000, representing an increase of 31.5% compared with the previous year.

Basic loss per share for FY2012 was HK1.3 cents (2011: HK0.3 cents).

Loss attributable to owners of the Company for FY2012 was approximately HK\$16,181,000 (2011: HK\$1,907,000). Such loss was mainly due to losses arising on (i) change in fair value of held-for trading investments; and (ii) increases in administrative and operating expenses of the Group.

The Board does not recommend the payment of final dividend for FY2012.

Review of Operation

The Group's major business includes the manufacturing and sale of pharmaceutical products, provision of advertising and public relations services, research and development and property investment. The overall business operations of the Group had been on a path of steady growth during FY2012.

Despite the fluctuating global economy, the Group reached the target performances in its major business areas and investment properties in the prime locations that continuously generate reasonable returns to its shareholders.

(i) Advertising and Public Relations Business

Hong Kong continues to perform its dynamic role as a regional leader in the financial sector and therefore the advertising and public relations industry is growing concurrently. And with the solid reputation and long presence in Hong Kong's public relations industry, PR ASIA Consultants Limited ("PR ASIA") continues to provide the Group with a steady source of income since 2011.

PR ASIA provides strategic consulting services in corporate communications, media relations, investor relations, issue/crisis management, media training and event management to a wide range of listed companies both in Hong Kong and China. For FY2012, the Group's provisions of advertising and public relations services achieved a revenue of approximately HK\$26,030,000, accounting for approximately 45.5% of the Group's total revenue.

(ii) Assets Investment

For FY2012, the Group recorded rental income generated by the retail and office properties of approximately HK\$5,993,000, representing an increase of approximately 68.0% compared with the previous financial year. The Group continues to benefit from Hong Kong's vibrant property market as our investment portfolio is expected to bring valuation gains for the Group. The Group enjoyed valuation gains from the investment properties of approximately HK\$21,866,000 for FY2012.

Due to the economic uncertainties over the global market that resulted from the European debt crisis, Hong Kong stocks showed volatility during FY2012. The Group recorded a loss arising on change in fair value of held-for-trading investments of approximately HK\$13,361,000 for FY2012. With that being said, the Group remains to hold a strong cash position and does not have any bank or other borrowings.

All investment activities including investments in listed and unlisted securities as well as owned properties in prime allocations are carried out under prudent risk management and the Group will cautiously monitor its investment portfolio's performance from time to time.

(iii) Manufacturing and Sale of Pharmaceutical Products Business

During FY2012, the Group's pharmaceutical business recorded a revenue of approximately HK\$25,008,000 from the provision of the manufacturing and sale of pharmaceutical products, accounting for approximately 43.7% of the Group's total revenue. The public's demand for medicine will continue to increase while a sustainable expansion in the pharmaceutical market is expected. The demand is triggered by the rapidly aging population

and rising the standard of living in Hong Kong. Nevertheless, the Group will continue to review the development strategy in this business with respect to the new licensing requirement for the operation of a Good Manufacturing Practice certified factory in Hong Kong.

(iv) New Business Segment

In order to spread and lower the Group's investment risk and broaden its income base, on 7 May 2012, the Group entered into an acquisition agreement to acquire a group of companies, which are principally engaged in the exploration, exploitation and processing and trading of fluorites, at a total consideration of HK\$148,000,000 (subject to adjustment). The Group has taken into consideration of the prospect of fluorite particles and believes that this acquisition would provide an opportunity for the Group to explore a new stream of business in the mining and trading of fluorites and other natural resources in the future.

Liquidity and Financial Resources

As at 30 June 2012, the Group held cash and bank balances of approximately HK\$32,847,000 (2011: HK\$68,900,000). Net current assets amounted to approximately HK\$103,314,000 (2011: HK\$109,698,000).

As at 30 June 2012, current ratio (defined as total current assets divided by total current liabilities) was approximately 12.54 times (2011: 8.37 times). Gearing ratio (expressed as the ratio of total liabilities over total assets) was approximately 0.03 (2011: 0.05).

The Group did not have any bank or other borrowings as at 30 June 2012 (2011: Nil).

Capital Structure

As at 30 June 2012, total equity attributable to owners of the Company was approximately HK\$313,138,000 (2011: HK\$291,965,000).

Pursuant to an underwriting agreement entered into between the Company and Kingston Securities Limited on 28 February 2012, the Company has raised approximately HK\$38,800,000 before expenses by way of an open offer of 554,167,446 offer shares of the Company (the "Offer Share(s)") at a price of HK\$0.07 per Offer Share on the basis of one Offer Share for every two existing shares of the Company held on the record date, being 21 March 2012 (the "Open Offer"). The Open Offer was completed in April 2012.

On 9 May 2012, the Company entered into a share placing agreement with Kingston Securities Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place through the Placing Agent on a best effort basis, a maximum of 1,000,000,000 placing shares (the "Placing Share(s)") to not less than six independent places at the placing price of HK\$0.05 per Placing Share ("Share Placing"). The net proceeds from the Share Placing will, if fully placed, be approximately HK\$48,200,000.

On 9 May 2012, the Company also entered into a convertible notes placing agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to place the convertible notes (“Convertible Notes”) in the maximum aggregate principal amount of HK\$100,000,000 to independent placee(s) on a best effort basis (“CN Placing”). The Convertible Notes will carry a right to convert into conversion shares of the Company (the “Conversion Share(s)”) at the conversion price of, subject to adjustment, HK\$0.05 (“Conversion Price”) per Conversion Share. Upon full conversion of the Convertible Notes at the Conversion Price, a total of 2,000,000,000 Conversion Shares will be issued. The net proceeds from the CN Placing will, if fully placed, be approximately HK\$96,500,000.

The ordinary resolutions for the Share Placing and the CN Placing were duly passed by the Company’s shareholders at an extraordinary general meeting held on 30 July 2012. The Share Placing and the CN Placing are subject to, among others, the granting of the listing of and permission to deal in the Placing Shares and the Conversion Shares, by the Stock Exchange.

Details of both the Share Placing and the CN Placing were disclosed in the announcement of the Company dated 15 May 2012.

Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. It is the Group’s policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. The Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during FY2012.

Significant Investments and Acquisitions

In order to spread and lower the Group’s investment risk and broaden its income base, on 7 May 2012, the Group entered into an acquisition agreement to acquire a group of companies, which are principally engaged in the exploration, exploitation and processing and trading of fluorites, at a total consideration of HK\$148,000,000 (subject to adjustment). The Group has taken into consideration of the prospect of fluorite particles and believes that this acquisition would provide an opportunity for the Group to explore a new stream of business in the mining and trading of fluorites and other natural resources in the future.

Capital Commitment

As at 30 June 2012, the Group had no significant capital commitment.

Pledge of Assets

As at 30 June 2012, none of the assets of the Group were pledged as security for any banking facilities.

Employee Information

As at 30 June 2012, there were 109 staff members (2011: 129) employed by the Group.

The Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employees by reference to the Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent Liabilities

As at 30 June 2012, the Group had no significant contingent liabilities.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP**For the year ended 30 June 2010*****Business Review***

The Company was under strategic planning and restructuring during the last year. The Directors explored suitable business opportunities and adopted timely strategic adjustments to diversify the business scope and to broaden the revenue base of the Remaining Group.

Consolidate Pharmaceuticals Business

The pharmaceutical industry in Hong Kong and China has been flourishing amidst the recovery of the macro-economy. The Remaining Group has grasped the opportunity to further sustain its foothold in the pharmaceutical market.

The Remaining Group maintained and consolidated its position as one of the providers of specialised diagnostic testing and professional healthcare services for private and public medical institutions. With the increasing health awareness and prevalence of general health check among Hong Kong people, the Remaining Group has enjoyed steady growth in the core diagnostic testing and healthcare services during the Year. Meanwhile, the Remaining Group has been actively exploring and identifying potential acquisition opportunities to speed up its business expansion in the pharmaceutical market.

Assets Investment-Related Business

The Remaining Group continued to rebalance our assets and broaden and enhance our investment in the financial markets with an aim to creating new revenue streams and a sustainable business.

The Remaining Group strives to generate sustainable growth in its assets management business through conservative, prudent and diversifying strategy in investment so as to minimise the business risk. Our investment portfolio included investments in listed and unlisted securities in Hong Kong during FY2010. The Remaining Group will continue to strengthen our market position by enhancing our cash and liquidity management. The investments held for trading recorded a gain of approximately HK\$481,000 for FY2010.

Liquidity and Financial Resources

As at 30 June 2010, the Remaining Group held cash and bank balances of approximately HK\$37,394,000.

The Remaining Group had no bank borrowing as at 30 June 2010 (2009: Nil).

Capital Structure

As at 30 June 2010, total equity attributable to owners of the Company for the Remaining Group was approximately HK\$166,528,000.

Exchange Exposure

Most of the trading transactions, assets and liabilities of the Remaining Group were denominated in Hong Kong dollars. The Remaining Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during FY2010.

Significant Investments and Acquisitions

For FY2010, the Remaining Group had no significant investments and acquisitions.

Capital Commitment

As at 30 June 2010, the Remaining Group had no significant capital commitment.

Pledge of Assets

As at 30 June 2010, none of the assets of the Remaining Group were pledged as security for any banking facilities.

Employee Information

As at 30 June 2010, there were 6 staff members employed by the Remaining Group.

The Remaining Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employee by reference to the Remaining Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent Liabilities

As at 30 June 2010, the Remaining Group had no significant contingent liabilities.

For the year ended 30 June 2011***Business Review***

Pleasant financial results were driven by a full year of active financial planning and strategic management. In light of the improving economy, the Remaining Group has made use of this opportunity to broaden its business scope by acquiring well-established companies will bring high returns to our shareholders.

Manufacturing and Sale of Pharmaceutical Products Business

The Remaining Group took a large step forward to re-enter the local healthcare and pharmaceutical markets by acquiring a group of companies which operate a Good Manufacturing Practice certified factory in Hong Kong. The acquired group companies mainly manufactures and supplies western pharmaceutical products to doctors and the Hospital Authority in Hong Kong also engages in the marketing and sale of health supplements. During FY2011, the manufacturing and sale of pharmaceutical products business recorded revenue of approximately HK\$24,888,000, accounted for 69.70% of the Remaining Group's total revenue. Nevertheless, the Remaining Group has foreseen the challenges to be faced ahead with respect to the new licensing requirement and will review the development strategy in this segment from time to time.

Asset Investment-Related Business

To fully utilize our resources as well as diversifying our investment portfolio, the Remaining Group also invests in listed and unlisted securities in Hong Kong. With our professional investment team and prudent investment strategy, the Remaining Group recorded a gain arising on change in fair value of financial assets of approximately HK\$903,000.

Strengthening of Advertising and Public Relations Business

In January 2011, the Remaining Group acquired PR ASIA Consultants Limited ("PR ASIA"), a Hong Kong-based public relations company focusing on financial communications. On the strength of its good reputation and rich experience in the public relations industry, the Remaining Group is confident that PR ASIA would gain the momentum to expand its market share in the near future and

generate pleasing results for our shareholders. For FY2011, the provision of advertising and public relations business achieved revenue of approximately HK\$11,011,000, accounted for 30.84% of the Remaining Group's total revenue.

Liquidity and Financial Resources

As at 30 June 2011, the Remaining Group held cash and bank balances of approximately HK\$40,523,000 (2010: HK\$37,394,000).

The Remaining Group had no bank borrowing as at 30 June 2011 (2010: Nil).

Capital Structure

As at 30 June 2011, total equity attributable to owners of the Company was approximately HK\$298,154,000 (restated) (2010: HK\$166,528,000).

Exchange Exposure

Most of the trading transactions, assets and liabilities of the Remaining Group were denominated in Hong Kong dollars. The Remaining Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during FY2011.

Significant Investments and Acquisitions

For FY2011, the Remaining Group had the following significant investments and acquisitions:

- (i) On 9 September 2010, the Remaining Group entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Island Kingdom Company Limited, and all the shareholder's loans to Island Kingdom Company Limited and its subsidiary, at an aggregate cash consideration of HK\$21,500,000. The above acquisition constituted a very substantial acquisition for the Company under the GEM Listing Rules and was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 1 November 2010. Details of the above acquisition were set out in the Company's announcement dated 9 September 2010 and the Company's circular dated 15 October 2010 respectively.
- (ii) On 24 November 2010, the Remaining Group entered into two sale and purchase agreements for the acquisition of the entire issued share capital of PR ASIA, at an aggregate cash consideration of HK\$33,600,000. The above acquisition constituted a very substantial acquisition for the Company under the GEM Listing Rules and was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 January 2011. Details of the above acquisition were set out in the Company's announcement dated 3 December 2010 and the Company's circular dated 31 December 2010 respectively.

Capital Commitment

As at 30 June 2011, the Remaining Group had no significant capital commitment.

Pledge of Assets

As at 30 June 2011, none of the assets of the Remaining Group were pledged as security for any banking facilities.

Employee Information

As at 30 June 2011, there were 127 staff members (2010: 6) employed by the Remaining Group.

The Remaining Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employees by reference to the Remaining Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent Liabilities

As at 30 June 2011, the Remaining Group had no significant contingent liabilities.

For the year ended 30 June 2012***Business Review***

The Remaining Group's major business includes the manufacturing and sale of pharmaceutical products and provision of advertising. The overall business operations of the Remaining Group had been on a path of steady growth during the year under review.

Advertising and Public Relations Business

Hong Kong continues to perform its dynamic role as a regional leader in the financial sector and therefore the advertising and public relations industry is growing concurrently. And with the solid reputation and long presence in Hong Kong's public relations industry, PR ASIA Consultants Limited ("PR ASIA") continues to provide the Remaining Group with a steady source of income since 2011. For the year ended 30 June 2012, this segment achieved a revenue of approximately HK\$26,030,000, accounting for approximately 51.50% of the Remaining Group's total revenue.

Manufacturing and Sale of Pharmaceutical Products Business

The Remaining Group's pharmaceutical business recorded revenue of approximately HK\$25,008,000 in the provision of the manufacturing and sale of pharmaceutical products, accounting for approximately 49.48% of the Remaining Group's total revenue.

Due to the economic uncertainties over the global market that resulted from the European debt crisis, Hong Kong stocks showed volatility during the year under review. The Remaining Group recorded a loss arising on change in fair value of held-for-trading investments of approximately HK\$5,286,000 for the year ended 30 June 2012. With that being said, the Remaining Group remains to hold a strong cash position and does not have any bank or other borrowings.

Liquidity and Financial Resources

As at 30 June 2012, the Remaining Group held cash and bank balances of approximately HK\$27,963,000 (2011: HK\$40,523,000).

The Remaining Group did not have any bank or other borrowings as at 30 June 2012 (2011: Nil).

Capital Structure

As at 30 June 2012, total equity attributable to owners of the Company for the Remaining Group was approximately HK\$307,738,000 (2011: HK\$298,154,000).

Exchange Exposure

Most of the trading transactions, assets and liabilities of the Remaining Group were denominated in Hong Kong dollars. The Remaining Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during the year under review.

Significant Disposal

For the year ended 30 June 2012, a sale and purchase agreement dated 23 April 2012 was entered into between Ms Zee Helen and Fairy Empire Investment Limited, a wholly-owned subsidiary of the Remaining Group, in relation to the sale and purchase of 1 ordinary share of US\$1.00 each in the issued share capital of Fairy Global Investment Limited ("**Fairy Global**") and all indebtedness, obligations and liabilities due, owing or incurred by Fairy Global to Fairy Empire Investment Limited as at the date of completion at an aggregate consideration of HK\$22,500,000.

Capital Commitment

As at 30 June 2012, the Remaining Group had no significant capital commitment.

Pledge of Assets

As at 30 June 2012, none of the assets of the Remaining Group were pledged as security for any banking facilities.

Employee Information

As at 30 June 2012, there were 107 staff members employed by the Remaining Group.

The Remaining Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employee by reference to the Remaining Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent Liabilities

As at 30 June 2012, the Remaining Group had no significant contingent liabilities.

4. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that taking into account that the existing banking and other borrowing facilities available, and the existing cash and bank balances, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

5. INDEBTEDNESS OF THE ENLARGED GROUP***Borrowings***

As at the close of the business on 31 August 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no outstanding borrowings.

Contingent liabilities

As at the close of business on 31 August 2012, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had no material contingent liabilities.

Disclaimer

Save as referred to as above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at 31 August 2012, any mortgages, charges, debentures or other loan capital or bank overdrafts, loan or other similar indebtedness or liabilities under acceptances (other than normal trade bills) or acceptance credit or hire purchase commitments or any guarantees or any material contingent liabilities.

6. MATERIAL ADVERSE CHANGE

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

7. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In the view of the uncertainty over the global economic environment, the Group will maintain its diversified investment strategy in order to spread and lower the business risks, broaden the income source and protect the shareholders' interests, so as to secure the sustainable and stable growth across the Group's businesses.

2012 is expected to be a year of complex external macroeconomic conditions. However, the Group believes that opportunities coexist with challenges. With the intensive attention paid to the market changes, the Group will continue to modify our existing business strategies to cope with the changing business environment and make every effort to seek potential investment projects in line with the Group's future development so as to optimise its mix of investments in order to expand the value base for the shareholders.

The Group's current major businesses include (i) advising and public relations business; (ii) assets investment; and (iii) manufacturing and sale of pharmaceutical products business.

(i) Advertising and Public Relations Business

This business segment of the Group focuses in advertising and public relations business in Hong Kong. The Group is providing strategic counselling services in corporate communications, media relations, investor relations, issue/crisis management, media training and event management to different clients including the companies listed in Hong Kong. The Group devises and implements effective business and marketing strategies from a communication perspective for its clients, with a view to enabling them to successfully achieve brand-building and establish an appropriate image to the targeted customer base. The Group also provides training, through simulating different scenarios of TV and print media interviews, to its clients for different kinds of interviews, media conferences and promotion events to ensure that the key messages are communicated from its clients to the public.

The income source of this business segment is mainly from (i) retainer fees for services provided for a fixed period and (ii) project-based income.

For FY2012, the Group recorded revenue from the provision of advertising and public relations services of approximately HK\$26,030,000, accounting for approximately 45.5% of the Group's total revenue.

The Group's advertising and public relations business segment is supervised by Mr. Ling Koon Wah who is a senior management of the Group. Mr. Ling has worked in the financial media industry for over 30 years and has in-depth experience and extensive network in the financial media industry.

Hong Kong continues to perform its dynamic role as a regional leader in the financial sector and therefore the advertising and public relations industry is growing concurrently. It is expected that this business segment continues to provide the Group with a steady source of income and the Group would strengthen this core business segment at the right time to widen the profitability.

(ii) Assets Investment

Property investment

For FY2012, the Group recorded rental income generated by the retail and office properties of approximately HK\$5,993,000, accounting for approximately 10.5% of the Group's total revenue. The Group also enjoyed valuation gains from the investment properties of approximately HK\$21,866,000.

It is the current intention of the Company that all its future property investment business will be carried out under TH Property Group after the Disposal. After the Disposal, rental income from the Group's property investment segment will cease to be a revenue generator of the Group. Instead, the Group will share the results of TH Property Group after the Disposal according to its shareholding in TH Property Holding.

Securities investment

Due to the economic uncertainties over the global market that resulted from the European debt crisis, Hong Kong stocks showed volatility during FY2012. The Group recorded a loss arising on change in fair value of held-for-trading investments of approximately HK\$13,361,000 for FY2012. With that being said, the Group remains to hold a strong cash position and does not have any bank or other borrowings.

The Group's current securities investment portfolio includes securities of listed companies in Hong Kong. The fair value of the Group's held-for-trading investments as at 30 June 2012 is approximately HK\$25,906,000.

(iii) Manufacturing and Sale of Pharmaceutical Products Business

This business segment mainly comprises of (i) manufacturing and sale of generic western medicines and (ii) marketing and selling of health supplements.

Manufacturing and sale of generic western medicines: The Group operates a Good Manufacturing Practice certified factory in Kwai Chung, Hong Kong. The designated annual production capacities of the factory are 350 million unit of solid dosage forms, 750 million milliliter of syrup and 210 million gram of creams and ointments. The principal products are mainly branded generic medicines, such as remedies for cold and flu, cough, fever and skin infection. The production facilities and back office are located in a leased premises in an industrial building in Kwai Chung, Hong Kong and occupy a total gross floor area of about 29,000 square feet. The major customers include private doctors, the Hospital Authority, over-the-counter retailers and medicine traders.

Marketing and selling of health supplements: The Group mainly sells its health products via popular retail chains and selected private clinics in Hong Kong. The major suppliers of the Group are Health Star LLC in the United States of America, AFC-HD AMS Life Science Co., Ltd. in Japan and Monikawa Kenkodo Co., Ltd. in Japan.

During FY2012, the Group's pharmaceutical business segment recorded a revenue of approximately HK\$25,008,000, accounting for approximately 43.7% of the Group's total revenue.

The public's demand for medicine will continue to increase while a sustainable expansion in the pharmaceutical market is expected. The demand is triggered by the rapidly aging population and rising the standard of living in Hong Kong. It is also believed that the Department of Health is looking into adopting PIC/S standards to govern pharmaceutical manufacturing. PIC/S (The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme) governance will imply higher GMP in a bid to bring the Hong Kong pharmaceutical environment on par with most western developed countries and some health authorities in the region, such as Singapore, Malaysia and Taiwan. Nevertheless, the Group will continue to review the development strategy in this business with respect to the new licensing requirement for the operation of a Good Manufacturing Practice certified factory in Hong Kong.

(iv) New Business Segment

In order to spread and lower the Group's investment risk and broaden its income base, on 7 May 2012, the Group entered into an acquisition agreement ("Acquisition Agreement") to acquire the Mongolia Group Companies, which are principally engaged in the exploration, exploitation and processing and trading of fluorites, at a total consideration of HK\$148,000,000 (subject to adjustment). The consideration will be satisfied as follows: (i) a refundable deposit of HK\$23,000,000 will be placed with the vendors within 15 days following the signing of the Acquisition Agreement, subject to the execution of a share charge; (ii) HK\$51,000,000 will be paid to the vendors in cash (in the proportion as to their shareholding interest in Sino-Mongolia Fluorspar Mining Co., Ltd. ("Target Company") on completion; (iii) HK\$31,000,000 (or part hereof) will be paid to the vendors in cash (in the proportion as to their shareholding interest in the Target Company) within 30 days after and subject to the satisfaction of the First Guaranteed Profit (as defined in the announcement of the Company dated 15 May 2012); (iv) HK\$43,000,000 (or part hereof) will be paid to the Vendors in cash (in the proportion as to their shareholding interest in the Target Company) within 30 days after and subject to the satisfaction and/or top-up of the Second Guaranteed Profit (as defined in the announcement of the Company dated 15 May 2012). The Group has taken into consideration of the

prospect of fluorite particles and believes that this acquisition would provide an opportunity for the Group to explore a new stream of business in the mining and trading of fluorites and other natural resources in the future. As at the Latest Practicable Date, the Acquisition Agreement had not yet completed.

8. FINANCIAL AND TRADING PROSPECTS OF TH PROPERTY GROUP

TH Property Group is confident that the property investment will generate a satisfactory income stream as well as future valuation gain and will continue to focus on seeking potential property investment opportunities so as to bring positive returns and benefits to its shareholders.

UNAUDITED FINANCIAL INFORMATION OF CN PROPERTY GROUP

Set out below are the unaudited combined statements of comprehensive income, unaudited combined statements of changes in equity and unaudited combined statements of cash flows of CN Property Group for the three years ended 30 June 2010, 2011 and 2012 (the “Relevant Periods”) and the unaudited combined statements of financial position of the CN Property Group as at 30 June 2010, 2011 and 2012 and certain explanatory notes, which have been reviewed by the independent auditor of the Company, HLB Hodgson Impey Cheng, in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. There was no qualification and modification in the review report issued by the auditors.

Unaudited combined statements of comprehensive income

For each of the years ended 30 June 2010, 2011 and 2012

	Years ended 30 June		
	2010	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	3,714,979	6,196,209	6,706,462
Cost of sales	<u>(1,476,484)</u>	<u>(1,035,936)</u>	<u>(618,557)</u>
Gross profit	2,238,495	5,160,273	6,087,905
Other income	136,687	102,283	216,302
Administrative expenses	(3,685,260)	(4,279,552)	(8,176,226)
Other operating expenses	(8,038,682)	(3,325,842)	(1,379,227)
Gain/(loss) arising on change in fair value of held-for-trading investments	21,758,042	6,245,980	(8,074,960)
Gain arising on change in fair value of investment properties	16,950	10,890,567	21,865,750
Gain on disposal of a subsidiary	<u>—</u>	<u>—</u>	<u>1,337,534</u>
Profit before tax	12,426,232	14,793,709	11,877,078
Income tax expense	<u>(231,062)</u>	<u>(512,166)</u>	<u>(509,438)</u>
Profit for the year	12,195,170	14,281,543	11,367,640
Other comprehensive income for the year			
Gain on revaluation of property upon transfer to investment property	<u>—</u>	<u>—</u>	<u>221,726</u>
Total comprehensive income for the year	<u><u>12,195,170</u></u>	<u><u>14,281,543</u></u>	<u><u>11,589,366</u></u>

Unaudited combined statements of financial position*As at 30 June 2010, 2011 and 2012*

	2010	As at 30 June	
	<i>HK\$</i>	2011	2012
		<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Property, plant and equipment	5,600,646	961,821	393,027
Investment properties	<u>55,800,000</u>	<u>149,240,000</u>	<u>183,300,000</u>
	<u>61,400,646</u>	<u>150,201,821</u>	<u>183,693,027</u>
Current assets			
Trade and other receivables	3,864,028	1,445,015	399,877
Held-for-trading investments	29,503,800	20,095,000	–
Amount due from the ultimate holding company	188,455	–	1,000,000
Amounts due from fellow subsidiaries	103,526	8,382,655	27,740,547
Bank balances and cash	<u>5,578,799</u>	<u>28,377,222</u>	<u>4,883,440</u>
	<u>39,238,608</u>	<u>58,299,892</u>	<u>34,023,864</u>
Total assets	<u>100,639,254</u>	<u>208,501,713</u>	<u>217,716,891</u>
Current liabilities			
Trade and other payables	444,994	1,500,995	1,389,814
Amount due to the ultimate holding company	83,412,696	152,859,185	171,049,798
Amounts due to fellow subsidiaries	37,021,720	59,587,980	38,624,930
Tax payable	<u>–</u>	<u>86,641</u>	<u>140,627</u>
	<u>120,879,410</u>	<u>214,034,801</u>	<u>211,205,169</u>
Net current liabilities	<u>(81,640,802)</u>	<u>(155,734,909)</u>	<u>(177,181,305)</u>
Total assets less current liabilities	<u>(20,240,156)</u>	<u>(5,533,088)</u>	<u>6,511,722</u>
Non-current liabilities			
Deferred tax liabilities	<u>231,062</u>	<u>656,587</u>	<u>1,112,039</u>
Net (liabilities)/assets	<u>(20,471,218)</u>	<u>(6,189,675)</u>	<u>5,399,683</u>
Capital and reserves			
Share capital	8	8	8
Reserves	<u>(20,471,226)</u>	<u>(6,189,683)</u>	<u>5,399,675</u>
Total equity	<u>(20,471,218)</u>	<u>(6,189,675)</u>	<u>5,399,683</u>

Unaudited combined statements of changes in equity*For each of the years ended 30 June 2010, 2011 and 2012*

	Share capital	Capital reserve	Merger reserve	Property revaluation reserve	Accumulated losses	Equity attributable to owners of CN Property Holding
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance as at 1 July 2009	-	795,098	12,000,000	-	(45,461,501)	(32,666,403)
Issuance of share upon incorporation	8	-	-	-	-	8
Issuance of share by a subsidiary under common control	-	-	8	-	-	8
Arising from combination of a subsidiary under common control	-	-	(1)	-	-	(1)
Profit for the year	-	-	-	-	12,195,170	12,195,170
Balance as at 30 June 2010	8	795,098	12,000,007	-	(33,266,331)	(20,471,218)
Profit for the year	-	-	-	-	14,281,543	14,281,543
Balance as at 30 June 2011	8	795,098	12,000,007	-	(18,984,788)	(6,189,675)
Arising from combination of subsidiaries under common control	-	-	(8)	-	-	(8)
Gain on revaluation of property upon transfer to investment property	-	-	-	221,726	-	221,726
Profit for the year	-	-	-	-	11,367,640	11,367,640
Balance as at 30 June 2012	8	795,098	11,999,999	221,726	(7,617,148)	5,399,683

Unaudited combined statements of cash flows*For each of the years ended 30 June 2010, 2011 and 2012*

	Years ended 30 June		
	2010	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities			
Profit before tax	12,426,232	14,793,709	11,877,078
Adjustments for:			
Interest income	(108,287)	(26,577)	(11,917)
Dividend income	(28,400)	(39,360)	(8,000)
Loss on disposals of property, plant and equipment	710,430	2,626	113,045
Gain arising on change in fair value of investment properties	(16,950)	(10,890,567)	(21,865,750)
Depreciation of property, plant and equipment	604,473	422,283	261,984
Gain on disposal of a subsidiary	–	–	(1,337,534)
Impairment loss recognised on trade and other receivables	–	9,280	19,350
Impairment loss recognised on amount due from the immediate holding company	15	–	–
Impairment loss recognised on amounts due from fellow subsidiaries	384,861	–	–
	<u>13,972,374</u>	<u>4,271,394</u>	<u>(10,951,744)</u>
Movements in working capital			
(Increase)/decrease in trade and other receivables	(3,250,112)	2,409,733	709,256
(Increase)/decrease in held-for-trading investments	(26,727,800)	9,408,800	20,095,000
(Increase)/decrease in amount due from the ultimate holding company	(188,446)	188,455	(1,001,630)
Decrease/(increase) in amounts due from fellow subsidiaries	291,942	(8,279,129)	(19,357,892)
Increase/(decrease) in trade and other payables	231,414	1,056,001	(111,181)
Increase in amount due to the ultimate holding company	22,659,324	69,446,489	20,925,291
Increase/(decrease) in amounts due to fellow subsidiaries	36,556,185	22,566,260	(20,963,050)
	<u>43,544,881</u>	<u>101,068,003</u>	<u>(10,655,950)</u>
Net cash generated from/(used in) operating activities	<u>43,544,881</u>	<u>101,068,003</u>	<u>(10,655,950)</u>

Unaudited combined statements of cash flows (continued)

	Years ended 30 June		
	2010	2011	2012
	HK\$	HK\$	HK\$
Cash flows from investing activities			
Interest received	108,287	26,577	11,917
Dividend received	28,400	39,360	8,000
Payments for property, plant and equipment	(5,351,043)	(82,870)	(884,014)
Payments for investment properties	(55,783,050)	(78,252,647)	(16,094,250)
Proceeds from disposal of investment property	–	–	4,800,000
Net cash outflow arising on acquisition of a subsidiary	(1)	–	(8)
Net cash outflow arising on disposal of a subsidiary	–	–	(679,477)
Net cash used in investing activities	<u>(60,997,407)</u>	<u>(78,269,580)</u>	<u>(12,837,832)</u>
Cash flows from financing activities			
Proceeds from issuance of share	<u>8</u>	<u>–</u>	<u>–</u>
Net cash generated from financing activities	<u>8</u>	<u>–</u>	<u>–</u>
Net (decrease)/increase in cash and cash equivalents	(17,452,518)	22,798,423	(23,493,782)
Cash and cash equivalents at the beginning of year	<u>23,031,317</u>	<u>5,578,799</u>	<u>28,377,222</u>
Cash and cash equivalents at the end of year, representing bank balances and cash	<u><u>5,578,799</u></u>	<u><u>28,377,222</u></u>	<u><u>4,883,440</u></u>

NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF CN PROPERTY GROUP**1. GENERAL INFORMATION**

Million Worldwide Investment Limited (“CN Property Holding”) is a limited company incorporated in the British Virgin Islands and acts as an investment holding company. Its holding company is Chemosino International Limited and its ultimate holding company is China Natural Investment Company Limited with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal activity of CN Property Holding and its subsidiaries (“CN Property Group”) was property investment. The unaudited financial information of CN Property Group is presented in Hong Kong Dollars (“HK\$”), which is the functional currency of CN Property Group.

2. BASIS OF PREPARATION AND PRESENTATION OF UNAUDITED FINANCIAL INFORMATION OF CN PROPERTY GROUP

The unaudited financial information of CN Property Group for each of the three years ended 30 June 2012 has been prepared in accordance with paragraph 19.68(2)(a)(i) of Chapter 19 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular dated 30 October 2012 issued by the Company.

Except for the matters explained below, the amounts included in the unaudited financial information of CN Property Group have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of its consolidated financial statements for the respective years ended 30 June 2010, 2011 and 2012, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), except as described below.

The unaudited financial information of CN Property Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

Basis of combination

The unaudited financial information of CN Property Group incorporates the unaudited financial information of CN Property Holding and entities controlled by CN Property Holding (its subsidiaries). Control is achieved where CN Property Holding has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Business combination under common control

The unaudited financial information of CN Property Group incorporates the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties’ perspective. No amount is recognised in respect of goodwill or excess of acquirers’ interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The unaudited combined statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 October 2012

The Board of Directors
China Natural Investment Company Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Town Health Asset Management Limited (“TH Property Holding”) and its subsidiaries (collectively referred to as “TH Property Group”) for the financial period from 1 April 2009 to 31 December 2009, years ended 31 December 2010 and 31 December 2011 and the six months ended 30 June 2012 (the “Relevant Periods”), for inclusion in the circular of dated 30 October 2012 (the “Circular”) issued by China Natural Investment Company Limited (the “Company”) in connection with the proposed very substantial disposal and very substantial acquisition relating to the disposal of its entire equity interest in a wholly-owned subsidiary, Million Worldwide Investment Limited, and the subscription of 25% of TH Property Holding as enlarged by the allotment and issue of shares of TH Property Holding (the “Transaction”) pursuant to a sale and purchase agreement dated 7 September 2012. The Financial Information comprise the combined statements of financial position, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, and a summary of significant accounting policies and other explanatory information.

TH Property Holding was incorporated in the British Virgin Island on 18 February 2009 as a private company with limited liability with authorised share capital of HK\$50,000 divided into 50,000 ordinary shares of HK\$1 each.

As at the date of this report, TH Property Holding has the following subsidiaries:

Name of subsidiaries	Date and place of incorporation	Issued and fully paid share capital	Attributable equity interest held by TH Property Holding	Principal activities
Oriental Elite Limited (<i>note (i)</i>)	06 June 1996, Hong Kong	100 ordinary shares of HK\$1	100% (Direct)	Property investment
Pherson Limited (<i>note (i)</i>)	20 January 1989, Hong Kong	500,000 ordinary shares of HK\$1	100% (Direct)	Property investment
Profit Sources Limited (<i>note (i)</i>)	26 February 2009, Hong Kong	100 ordinary shares of HK\$1	100% (Direct)	Property investment
Bright Dignity Limited (<i>note (i)</i>)	08 July 2002, Hong Kong	100 ordinary shares of HK\$1	100% (Direct)	Property investment
First Billion Investment Limited (formerly known as Town Health Food and Beverage Culture Company Limited) (<i>note (i)</i>)	18 January 2002, Hong Kong	2 ordinary shares of HK\$1	100% (Direct)	Property investment
Billion Advance Limited (<i>note (i)</i>)	27 June 2005, Hong Kong	100 ordinary shares of HK\$1	70% (Direct)	Property investment
Full Health Assets Management Limited (formerly known as Full Health Property Management Limited) (<i>note (i)</i>)	27 August 2009, Hong Kong	1 ordinary share of HK\$1	100% (Direct)	Provision for Consultancy and management services
Town Health Professional Training Centre Limited (formerly known as Town Health Children's Land Limited) (<i>note (i)</i>)	28 January 2005, Hong Kong	500,000 ordinary shares of HK\$1	100% (Direct)	Provision of education and training services
Perfect Elite Investments Limited (<i>note (ii)</i>)	03 November 2010, Hong Kong	1 ordinary share of HK\$1	100% (Direct)	Property investment
Full Profit Property Services Company Limited (formerly known as Apex Eagle Limited) (<i>note (iii)</i>)	31 March 2011, Hong Kong	1 ordinary share of HK\$1	100% (Direct)	Inactive

Notes:

- (i) The statutory financial statements of each of these subsidiaries for each of the financial period ended 31 December 2009, years ended 31 December 2010 and 2011 were audited by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.
- (ii) The statutory financial statements of the subsidiary for each of the financial years ended 31 December 2010 and 2011 were audited by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.
- (iii) The statutory financial statements of the subsidiary for the financial year ended 31 December 2011 were audited by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

The financial year end date of the companies now comprising TH Property Group is 31 December.

During the period ended 31 December 2009, the reporting period end date of Town Health International Investments Limited, the ultimate holding company of TH Property Holding, was changed from 31 March to 31 December. Accordingly, the financial statements of TH Property Holding and its subsidiaries for the period ended 31 December 2009 covered nine months period from 1 April 2009 to 31 December 2009.

No audited statutory financial statements have been prepared for TH Property Holding since its date of incorporation as there are no statutory requirements for this entity to prepare audited financial statements in its place of incorporation.

For the purpose of this report, the directors of TH Property Holding have prepared combined financial statements of TH Property Group (the "Underlying Financial Statements") for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and using accounting policies which are materially consistent with those of the Company. We have, for the purpose of this report, carried out appropriate audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of TH Property Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

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

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of TH Property Group as at 31 December 2009, 31 December 2010, 31 December 2011 and 30 June 2012 and of the combined results and combined cash flows of TH Property Group for each of the Relevant Periods.

We draw attention to Note 4 to the Financial Information set out in this report below which indicates that TH Property Group had net current liabilities of HK\$ 471,962,895 as at 30 June 2012. These matters, along with other matters as set forth in Note 4 below, indicate the existence of a material uncertainty which may cast significant doubt on TH Property Group's ability to continue as a going concern.

The comparative combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of TH Property Group for the six months ended 30 June 2011 together with the notes thereon have been extracted from the unaudited combined financial information of TH Property Group for the same period (the "Comparative Financial Information") which was prepared by the directors of TH Property Holding for the purpose of this report. We have reviewed the Comparative Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consists principally of making enquiries of management and applying analytical and other review procedures to the Comparative 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, 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 audit opinion on the Comparative Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information with conform with HKFRSs.

I. FINANCIAL INFORMATION

Combined statements of comprehensive income

		Nine months				
		ended 31	Year ended	Year ended	Six months	Six months
		December	31 December	31 December	ended 30	ended 30
		2009	2010	2011	June 2011	June 2012
	Notes	HK\$	HK\$	HK\$	HK\$	HK\$
					(Unaudited)	
Continuing operations						
Revenue	7	2,983,593	8,227,677	25,638,790	12,071,906	13,844,689
Other income	8	1,729,812	1,099,692	2,199,662	1,587,350	172,344
Gain arising on change in fair value of investment properties		11,138,635	34,567,218	29,944,571	–	69,960,019
Administrative expenses		(4,271,563)	(16,060,155)	(33,520,079)	(15,538,496)	(15,520,868)
Operating profit/(loss)		11,580,477	27,834,432	24,262,944	(1,879,240)	68,456,184
Share of results of an associate		–	145,366	778,593	407,263	796,442
Profit/(loss) before tax		11,580,477	27,979,798	25,041,537	(1,471,977)	69,252,626
Income tax expense	9	(153,917)	(424,397)	(470,388)	(212,788)	(206,811)
Profit/(loss) for the period/year from continuing operations	10	11,426,560	27,555,401	24,571,149	(1,684,765)	69,045,815
Discontinued operation						
Loss for the period/year from discontinued operation	11	(527,348)	(1,029,044)	–	–	–
Profit/(loss) for the period/year		10,899,212	26,526,357	24,571,149	(1,684,765)	69,045,815
Other comprehensive income for the period/year						
Gain on revaluation of property upon transfer to investment property		–	–	7,420,967	–	15,454,971
Total comprehensive income/ (expense) for the period/year		10,899,212	26,526,357	31,992,116	(1,684,765)	84,500,786

Combined statements of comprehensive income (continued)

	Nine months			Six months	Six months
	ended 31	Year ended	Year ended	ended 30	ended 30
	December	31 December	31 December	June 2011	June 2012
	2009	2010	2011	June 2011	June 2012
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Profit/(loss) attributable to:					
<i>Owners of TH Property Holding</i>					
Profit/(loss) for the period/year from continuing operations	10,369,742	26,621,081	23,845,926	(1,789,730)	68,933,899
Loss for the period/year from discontinued operation	<u>(527,348)</u>	<u>(1,029,044)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) for the period/year attributable to owners of TH Property Holding	<u>9,842,394</u>	<u>25,592,037</u>	<u>23,845,926</u>	<u>(1,789,730)</u>	<u>68,933,899</u>
<i>Non-controlling interests</i>					
Profit for the period/year from continuing operations	<u>1,056,818</u>	<u>934,320</u>	<u>725,223</u>	<u>104,965</u>	<u>111,916</u>
Profit for the period/year attributable to non-controlling interests	<u>1,056,818</u>	<u>934,320</u>	<u>725,223</u>	<u>104,965</u>	<u>111,916</u>
	<u>10,899,212</u>	<u>26,526,357</u>	<u>24,571,149</u>	<u>(1,684,765)</u>	<u>69,045,815</u>
Total comprehensive income/ (expense) attributable to:					
Owners of TH Property Holding	9,842,394	25,592,037	31,266,893	(1,789,730)	84,388,870
Non-controlling interests	<u>1,056,818</u>	<u>934,320</u>	<u>725,223</u>	<u>104,965</u>	<u>111,916</u>
	<u>10,899,212</u>	<u>26,526,357</u>	<u>31,992,116</u>	<u>(1,684,765)</u>	<u>84,500,786</u>

Combined statements of financial position

		As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
	<i>Notes</i>				
Non-current assets					
Interest in an associate	14	–	45,145,366	45,433,959	46,230,401
Investment properties	16	96,000,000	214,940,000	344,084,832	571,250,000
Property, plant and equipment	15	129,123,557	179,572,535	141,187,708	2,791,292
Loans receivable	17	9,950,117	9,223,209	–	2,000,000
Deposits paid for acquisition of property, plant and equipment		–	10,403,303	673,000	–
		<u>235,073,674</u>	<u>459,284,413</u>	<u>531,379,499</u>	<u>622,271,693</u>
Current assets					
Deposit, prepayment and other receivables	18	6,018,211	2,555,710	3,990,308	2,806,552
Loans receivable	17	705,581	14,082,325	3,499,369	400,000
Amounts due from fellow subsidiaries	22	–	–	–	23,245,000
Amount due from a related company	20	430,616	215,855	–	319,992
Bank balances and cash	19	3,907,558	3,247,584	1,969,018	5,029,828
		<u>11,061,966</u>	<u>20,101,474</u>	<u>9,458,695</u>	<u>31,801,372</u>
Total assets		<u>246,135,640</u>	<u>479,385,887</u>	<u>540,838,194</u>	<u>654,073,065</u>
Current liabilities					
Accruals, deposit received and other payables	21	2,029,560	11,707,736	6,963,819	6,884,521
Amounts due to fellow subsidiaries	22	65,284,449	1,380	58,910	–
Amount due to immediate holding company	22	142,530,542	412,094,171	458,298,911	495,978,058
Amount due to ultimate holding company	22	16,218,846	8,925,100	8,925,100	–
Amount due to non-controlling interest	23	1,835,154	1,835,154	–	–
Tax payable		201,468	117,924	783,441	901,688
		<u>228,100,019</u>	<u>434,681,465</u>	<u>475,030,181</u>	<u>503,764,267</u>
Net current liabilities		<u>(217,038,053)</u>	<u>(414,579,991)</u>	<u>(465,571,486)</u>	<u>(471,962,895)</u>
Total assets less current liabilities		<u>18,035,621</u>	<u>44,704,422</u>	<u>65,808,013</u>	<u>150,308,798</u>

Combined statements of financial position (continued)

		As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
	<i>Notes</i>				
Deferred tax liabilities	24	230,476	372,971	150,222	150,222
Net Assets		17,805,145	44,331,451	65,657,791	150,158,576
Capital and reserves					
Share capital	25	1	1	1	1
Reserves		16,460,567	41,433,667	62,034,784	146,423,653
Equity attributable to owners of TH Property					
Holding		16,460,568	41,433,668	62,034,785	146,423,654
Non-controlling interests		1,344,577	2,897,783	3,623,006	3,734,922
Total equity		17,805,145	44,331,451	65,657,791	150,158,576

Combined statements of changes in equity

	Attributable to owners of TH Property Holding					
	Share capital HK\$	Revaluation reserve HK\$	Merger reserve HK\$	Retained profits HK\$	Non-controlling interests HK\$	Total equity HK\$
Balance as at 1 April 2009	1	-	-	5,792,850	287,759	6,080,610
Adjustments for business combination under common control	-	-	825,323	-	-	825,323
Profit for the period	-	-	-	9,842,394	1,056,818	10,899,212
Balance as at 31 December 2009	1	-	825,323	15,635,244	1,344,577	17,805,145
Acquisition of additional interest of a subsidiary	-	-	6	(618,892)	618,886	-
Adjustments for business combination under common control	-	-	(51)	-	-	(51)
Profit for the year	-	-	-	25,592,037	934,320	26,526,357
Balance as at 31 December 2010	1	-	825,278	40,608,389	2,897,783	44,331,451
Gain on revaluation of property upon transfer to investment property	-	7,420,967	-	-	-	7,420,967
Adjustments for business combination under common control	-	-	(10,665,776)	-	-	(10,665,776)
Profit for the year	-	-	-	23,845,926	725,223	24,571,149
Balance as at 31 December 2011	1	7,420,967	(9,840,498)	64,454,315	3,623,006	65,657,791
Adjustments for business combination under common control	-	-	(1)	-	-	(1)
Gain on revaluation of property upon transfer to investment property	-	15,454,971	-	-	-	15,454,971
Profit for the period	-	-	-	68,933,899	111,916	69,045,815
Balance as at 30 June 2012	1	22,875,938	(9,840,499)	133,388,214	3,734,922	150,158,576
(Unaudited)						
Balance as at 1 January 2011	1	-	825,278	40,608,389	2,897,783	44,331,451
Adjustments for business combination under common control	-	-	(70)	-	-	(70)
(Loss)/profit for the period	-	-	-	(1,789,730)	104,965	(1,684,765)
Balance as at 30 June 2011	1	-	825,208	38,818,659	3,002,748	42,646,616

Combined statements of cash flows

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$ (Unaudited)	Six months ended 30 June 2012 HK\$
Cash flows from operating activities					
Profit/(loss) before tax	11,053,129	26,950,754	25,041,537	(1,471,977)	69,252,626
Adjustments for:					
Depreciation of property, plant and equipment	340,956	9,341,721	21,037,598	8,620,111	10,057,005
Loss on disposal of property, plant and equipment	28,393	119,576	-	-	29,499
Gain on change in fair value of investment properties	(11,138,635)	(34,567,218)	(29,944,571)	-	(69,960,019)
Share of result of an associate	-	(145,366)	(778,593)	(407,263)	(796,442)
Interest income	(306,166)	(489,398)	(1,227,015)	(640,938)	(147,651)
Operating cash flows before movement in working capital	(22,323)	1,210,069	14,128,956	6,099,933	8,435,018
Decrease/(increase) in deposit, prepayment and other receivables	(4,853,417)	3,462,501	(1,434,598)	(17,093,332)	1,315,737
Increase/(decrease) in accruals, deposit received and other payables	785,027	9,678,176	(4,743,916)	(177,786)	(79,298)
Decrease/(increase) in amount due from a related company	647,234	214,761	215,855	185,581	(319,992)
Increase in amounts due from fellow subsidiaries	-	-	-	-	(23,245,000)
Increase/(decrease) in amounts due to fellow subsidiaries	64,420,776	(65,283,069)	57,530	435,509	(58,910)
Hong Kong profits tax paid	60,977,297	(50,717,562)	8,223,827	(10,550,095)	(13,952,445)
Net cash generated from/(used in) operating activities	60,977,297	(51,083,008)	8,196,207	(10,569,745)	(14,041,009)
Cash flows from investing activities					
Purchase of property, plant and equipment	(128,933,350)	(91,699,321)	(13,294,364)	(779,279)	-
Purchase on investment properties	(93,445,995)	(74,487,039)	(51,407,399)	(56,859,679)	(12,928,746)
Proceed from disposal of property, plant and equipment	-	-	-	-	29,499
Proceeds on disposal of investment properties	38,484,630	11,500,000	-	-	-
Acquisition of subsidiaries	51	(51)	(10,665,776)	(70)	(1)
Acquisition of an associate	-	(45,000,000)	-	-	-
Advance from/(repayment to) non-controlling interests	12,500	-	(1,835,154)	(1,835,154)	-
(Advance to)/repayment from loans receivable	(10,655,698)	(12,649,836)	19,806,165	23,305,534	1,099,369
Dividend received from an associate	-	-	490,000	490,000	-
Interest received	306,166	489,398	1,227,015	640,938	147,651
Net cash used in investing activities	(194,231,696)	(211,846,849)	(55,679,513)	(35,037,710)	(11,652,228)

Combined statements of cash flows (continued)

	Nine months ended 31 December 2009 <i>HK\$</i>	Year ended 31 December 2010 <i>HK\$</i>	Year ended 31 December 2011 <i>HK\$</i>	Six months ended 30 June 2011 <i>HK\$</i>	Six months ended 30 June 2012 <i>HK\$</i>
<i>Note</i>				(Unaudited)	
Cash flows from financing activities					
Advances from immediate holding company	141,955,749	269,563,629	46,204,740	49,800,343	37,679,147
Repayments to ultimate holding company	<u>(77,033,307)</u>	<u>(7,293,746)</u>	<u>–</u>	<u>(5,625,100)</u>	<u>(8,925,100)</u>
Net cash generated from financing activities	<u>64,922,442</u>	<u>262,269,883</u>	<u>46,204,740</u>	<u>44,175,243</u>	<u>28,754,047</u>
Net (decrease)/increase in cash and cash equivalents	(68,331,957)	(659,974)	(1,278,566)	(1,432,212)	3,060,810
Cash and cash equivalents at the beginning of the period/year	<u>72,239,515</u>	<u>3,907,558</u>	<u>3,247,584</u>	<u>3,247,584</u>	<u>1,969,018</u>
Cash and cash equivalents at the end of the period/year	<u>19</u> <u>3,907,558</u>	<u>3,247,584</u>	<u>1,969,018</u>	<u>1,815,372</u>	<u>5,029,828</u>

NOTES TO THE FINANCIAL INFORMATION**1. CORPORATE REORGANISATION**

Prior to its proposed acquisition by the Company, Town Health Asset Management Limited (the "TH Property Holding"), underwent a group reorganisation which included the following steps:

- (a) TH Property Holding was incorporated on 18 February 2009 and controlled by Town Health (BVI) Limited ("TH BVI").
- (b) On 29 December 2010, TH Property Holding acquired the 51% of Profit Sources Limited, a company controlled by TH BVI, for a cash consideration of HK\$51.
- (c) On 21 March 2011, TH Property Holding acquired the 70% of Billion Advance Limited, which is controlled by TH BVI, for a cash consideration of HK\$70.
- (d) On 11 July 2011, TH Property Holding acquired the entire equity interest of Oriental Elite Limited, which is controlled by TH BVI, for a cash consideration of HK\$1,755,504.
- (e) On 22 July 2011, TH Property Holding acquired the entire equity interest of Pherson Limited, First Billion Limited and Bright Dignity Limited, which is controlled by TH BVI, for a cash consideration of HK\$2,971,985, HK\$2 and HK\$5,938,215 respectively.
- (f) On 13 June 2012, TH Property Holding acquired the entire equity interest of Town Health Professional Training Centre, which is controlled by TH BVI, for a cash consideration HK\$1.

Accordingly, for the purpose of the preparation of the Financial Information, TH Property Holding is considered as the holding company of the companies now comprising TH Property Group throughout the Relevant Periods. TH Property Group comprising TH property Holding and its subsidiaries resulting from the corporate reorganisation is regarded as a continuing entity. TH Property Group is under the control of the TH BVI prior to and after the corporate reorganisation. The combined statements of cash flows of the companies comprising TH Property Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation where it is a shorter period. The combined statements of financial position as at 31 December 2009, 2010, 2011 and 30 June 2012 have been prepared to present the assets and liabilities of the companies comprising TH Property Group as the respective dates as if the current group structure had been in existence at those dates.

2. GENERAL INFORMATION

TH Property Holding was incorporated as an exempted company with limited liability in the British Virgin Islands (the "BVI") under the BVI Business Companies Act, 2004, of the BVI on 18 February 2009. The ultimate holding company is Town Health International Investments Limited, which was incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange of Hong Kong Limited.

The registered office and principal place of business of TH Property Holding is Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, BVI. TH Property Holding is an investment holding company.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of TH Property Holding.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, TH Property Group has throughout the Relevant Periods consistently adopted HKFRSs, Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by the HKICPA, which are effective for financial periods beginning on or after 1 January 2012.

TH Property Group has not early applied the following new and revised standards, amendments or interpretations, that have been issued by the HKICPA but are not yet effective, in the Financial Information:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised 2011)	Employee Benefits ²
HKAS 27 (as revised 2011)	Separate Financial Statements ²
HKAS 28 (as revised 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 13	Fair Value Measurement ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)**HKFRS 9 Financial Instruments (continued)**

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of TH Property Holding anticipate that HKFRS 9 will be adopted in TH Property Group's combined financial information for the annual period beginning on 1 January 2015 and that application of the new standard may have impact on amounts reported in respect of TH Property Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with combined financial information and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors of TH Property Holding have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)**HKFRS 13 Fair Value Measurement**

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of TH Property Holding anticipate that HKFRS 13 will be adopted in TH Property Group's combined financial information for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the combined financial information and result in more extensive disclosures in the combined financial information.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for TH Property Group's annual periods beginning on or after 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than as described above, the directors of TH Property Holding anticipate that the application of the other new and revised HKFRSs will have no material effect on TH Property Group's financial performance and position and/or on the disclosures set out in these combined financial information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies below.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Going concern**

The financial information has been prepared on a going concern basis. As of 30 June 2012, TH Property Group had net current liabilities of HK\$471,962,895. Its continuance in business as a going concern is dependent upon TH Property Group maintaining future profitable operations and the continuing financial support from its shareholders. The shareholders have confirmed to provide continuing financial support to TH Property Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due. Accordingly, the financial information have been prepared on a going concern basis.

Basis of combination

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

The results of subsidiaries acquired or disposed of during the Relevant Periods (other than business combination involving entities under common control) are included in the combined statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of TH Property Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Changes in TH Property Group's ownership interests in existing subsidiaries

Changes in TH Property Group's ownership interests in subsidiaries that do not result in TH Property Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of TH Property Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of TH Property Holding.

Merger accounting for common control combinations

The Financial Information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenue recognition**

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

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- TH Property Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- TH Property Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to TH Property Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised in accordance with TH Property Group's accounting policy for operating leases (see the accounting policy below).

Leasing

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

TH Property Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

TH Property Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Leasing (continued)***Leasehold land for own use*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of TH Property Holding's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the combined financial information and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting combined financial information, the assets and liabilities of TH Property Group's foreign operations are translated into the presentation currency of TH Property Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation (i.e. a disposal of TH Property Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of TH Property Holding are reclassified to profit or loss.

In the case of a partial disposal that does not result in TH Property Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in TH Property Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Retirement benefit costs**

Payments to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. TH Property Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where TH Property Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which TH Property Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the combined statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property, plant and equipment (continued)**

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, TH Property Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Provisions

Provisions are recognised when TH Property Group has a present obligation (legal or constructive) as a result of a past event, it is probable that TH Property Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Provisions (continued)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

TH Property Group's financial assets are classified into two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that TH Property Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial instruments (continued)***Financial assets (continued)**Financial assets at FVTPL (continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with TH Property Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including deposits and other receivables, loans receivable amounts due from fellow subsidiaries, amount due from a related company and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial instruments (continued)***Financial assets (continued)**Impairment of financial assets (continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include TH Property Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial instruments (continued)***Financial liabilities and equity instruments (continued)**Financial liabilities at FVTPL (continued)*

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that TH Property Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with TH Property Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including accruals, deposit received and other payables, amounts due to fellow subsidiaries, amount due to immediate holding company, amount due to ultimate holding company and amount due to non-controlling interest) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. TH Property Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of TH Property Holding's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial instruments (continued)***Financial liabilities and equity instruments (continued)**Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

TH Property Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, TH Property Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If TH Property Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, TH Property Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If TH Property Group retains substantially all the risks and rewards of ownership of a transferred financial asset, TH Property Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Related parties

A party is considered to be related to TH Property Group 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 TH Property Holding;
 - (ii) has significant influence over TH Property Holding; or
 - (iii) is a member of the key management personnel of TH Property Holding or of a parent of TH Property Holding; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and TH Property Holding are members of the same group;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Related parties (continued)**

- (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 TH Property Holding 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 TH Property Holding or an entity related to TH Property Holding;
- (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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of TH Property Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are 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.

Estimation of fair value of investment properties

As described in note 16, the investment properties were revalued at the end of the reporting period on market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, TH Property Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

6. SEGMENT INFORMATION

The directors of TH Property Holding reviews TH Property Group's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segment is identified with reference to these.

6. SEGMENT INFORMATION (CONTINUED)

The directors of TH Property Holding consider that business of TH Property Group is organised in one continuing operating segment properties investments. Additional disclosure in relation to segment information is not presented as the directors TH Property Holding assesses the performance of the only continuing operating segment identified based on the consistent information as disclosed in the Financial Information.

The total net segment income is equivalent to total comprehensive income for the Relevant Periods as shown in the combined statements of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the combined statements of financial position.

Detail of interest income and depreciation in relation to the continuing operating segment are disclosed in Notes 8 and 10, respectively.

TH Property Holding is domiciled in the British Virgin Islands with TH Property Group's major operations in the Hong Kong. Total revenue as disclosed in Note 7 below represented the revenue from external customers arising from property letting in the Hong Kong. Substantially all the assets of TH Property Group are located in the Hong Kong.

Revenue from customers of the corresponding period contributing over 10% of the total sales of TH Property Group are as follows:

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$	Six months ended 30 June 2012 HK\$
				(Unaudited)	
Customer A ¹	–	828,000	–	–	–
Customer B ¹	–	840,000	–	–	–
Customer C ¹	–	–	3,125,275	1,564,588	1,630,088
Customer D ¹	–	972,000	–	–	–
Customer E ¹	–	947,419	3,207,921	1,471,235	1,487,213
Customer F ¹	–	–	5,552,820	2,776,410	2,776,410

¹ Revenue from property letting.

7. REVENUE

Continuing operations

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$	Six months ended 30 June 2012 HK\$
				(Unaudited)	
Rental income	2,983,593	8,227,677	25,638,790	12,071,906	13,844,689

8. OTHER INCOME

Continuing operations

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$ (Unaudited)	Six months ended 30 June 2012 HK\$
Interest income	306,166	489,398	1,227,015	640,938	147,651
Other income	1,423,646	610,294	972,647	946,412	24,693
	<u>1,729,812</u>	<u>1,099,692</u>	<u>2,199,662</u>	<u>1,587,350</u>	<u>172,344</u>

9. INCOME TAX EXPENSE

Continuing operations

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$ (Unaudited)	Six months ended 30 June 2012 HK\$
Current tax:					
– Hong Kong Profits Tax	139,694	189,323	524,397	212,788	206,811
Under provision in prior years:					
– Hong Kong Profits Tax	–	92,579	168,740	–	–
	139,694	281,902	693,137	212,788	206,811
Deferred tax (<i>Note 24</i>):					
– Current year	52,559	(160,067)	62,549	–	–
– (Over)/under provision in prior years	(38,336)	302,562	(285,298)	–	–
	<u>153,917</u>	<u>424,397</u>	<u>470,388</u>	<u>212,788</u>	<u>206,811</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

9. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the Relevant Periods can be reconciled to the profit/(loss) per the combined statements of comprehensive income as follows:

Continuing operations

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$ (Unaudited)	Six months ended 30 June 2012 HK\$
Profit/(loss) before tax (from continuing operations)	11,580,477	27,979,798	25,041,537	(1,471,977)	69,252,626
Tax at Hong Kong Profits Tax rate of 16.5%	1,910,778	4,616,667	4,131,855	(242,877)	11,426,684
Tax effect of expenses not deductible for tax purpose	-	51,079	-	-	-
Tax effect of income not taxable for tax purpose	(1,121,084)	(6,810,592)	(3,109,023)	(65,535)	(10,822,923)
Tax effect of temporary differences not recognised	(356,147)	-	(198,247)	(496,621)	(415,126)
Under provision in prior years	-	92,579	168,740	-	-
(Over)/under provision for deferred tax in prior years	(38,336)	302,562	(285,298)	-	-
Utilisation of tax losses previously not recognised	(606,629)	(24,595)	(657,891)	(82,552)	(39,933)
Tax effect of tax losses not recognised	365,335	2,196,697	420,252	1,100,373	58,109
Income tax expense for the period/year	153,917	424,397	470,388	212,788	206,811

10. PROFIT/(LOSS) FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS

Profit/(loss) for the period/year from continuing operations has been arrived at after charging:

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$ (Unaudited)	Six months ended 30 June 2012 HK\$
Employee benefits expense:					
Directors' emoluments (<i>Note 12</i>)	-	-	-	-	-
Other staff costs	134,180	1,310,533	2,719,725	1,509,957	744,392
Other staff's retirement scheme contributions	-	23,785	78,298	43,051	21,691
	<u>134,180</u>	<u>1,334,318</u>	<u>2,798,023</u>	<u>1,553,008</u>	<u>766,083</u>
Total staff costs					
Auditors' remuneration	140,000	177,000	269,000	-	-
Depreciation of property, plant and equipment	112,849	9,184,414	21,037,598	8,620,111	10,057,005
Loss on disposal of property, plant and equipment	28,393	-	-	-	29,499

11. DISCONTINUED OPERATION

In November 2010, First Billion Investment Limited (formerly known as Town Health Food and Beverage Culture Company Limited), a wholly-owned subsidiary of TH Property Holding, has ceased its beverage and food business. Therefore, the results of the beverage and food segment will no longer be combined into the Financial Information after the cessation of business.

11. DISCONTINUED OPERATION (CONTINUED)

Analysis of loss for the period/year from discontinued operation

The results of the discontinued operation included in the combined statements of comprehensive income and combined statements of cash flows are set out below.

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$
Loss for the period/year from beverage and food business	<u>(527,348)</u>	<u>(1,029,044)</u>
Loss for the period/year from discontinued operation		
Revenue	8,770,501	10,560,524
Administrative expenses	<u>(9,297,849)</u>	<u>(11,589,568)</u>
Loss before tax	(527,348)	(1,029,044)
Income tax expenses	<u>—</u>	<u>—</u>
Loss for the period/year from discontinued operation	<u>(527,348)</u>	<u>(1,029,044)</u>
	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$
Loss for the period/year from discontinued operation includes the following:		
Depreciation of property, plant and equipment	228,107	157,307
Auditors' remuneration	—	50,000
Loss on disposal of property, plant and equipment	<u>—</u>	<u>119,576</u>
<i>Cash flows from discontinued operation</i>		
Net cash inflow/(outflow) from operating activities	552,548	(2,131,605)
Net cash outflows from investing activities	<u>(317,530)</u>	<u>(7,250)</u>
Net cash inflow/(outflow)	<u>235,018</u>	<u>(2,138,855)</u>

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of TH Property Holding's directors were as follows:

	Other emoluments			Total HK\$
	Fees HK\$	Salaries and other benefits HK\$	Contributions to retirement benefits scheme HK\$	
Nine months ended 31 December 2009				
Mr. Cho Kwai Chee	-	-	-	-
Year ended 31 December 2010				
Mr. Cho Kwai Chee	-	-	-	-
Year ended 31 December 2011				
Mr. Wong Seung Ming (appointed on 17 October 2011)	-	-	-	-
Mr. Lee Chik Yuet (appointed on 17 October 2011)	-	-	-	-
Mr. Cho Kwai Chee	-	-	-	-
Six months ended 30 June 2012				
Mr. Wong Seung Ming	-	-	-	-
Mr. Lee Chik Yuet	-	-	-	-
Mr. Cho Kwai Chee	-	-	-	-
(Unaudited)				
Six months ended 30 June 2011				
Mr. Cho Kwai Chee	-	-	-	-

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees' emoluments

	Nine months ended 31 December 2009 <i>(Number of individuals)</i>	Year ended 31 December 2010 <i>(Number of individuals)</i>	Year ended 31 December 2011 <i>(Number of individuals)</i>	Six months ended 30 June 2011 <i>(Number of individuals)</i> (Unaudited)	Six months ended 30 June 2012 <i>(Number of individuals)</i>
Directors	–	–	–	–	–
Non-directors	5	5	5	5	5
5 highest-paid individuals	5	5	5	5	5

The emoluments of the above non-director, highest paid individuals were as follows:

	Nine months ended 31 December 2009 <i>HK\$</i>	Year ended 31 December 2010 <i>HK\$</i>	Year ended 31 December 2011 <i>HK\$</i>	Six months ended 30 June 2011 <i>HK\$</i> (Unaudited)	Six months ended 30 June 2012 <i>HK\$</i>
Salaries, wages and allowances	705,400	1,169,740	1,375,218	778,531	373,024
Retirement scheme contributions	32,760	39,505	48,225	27,215	18,124
	738,160	1,209,245	1,423,443	805,746	391,148

The emoluments of each of the above non-director, highest paid individuals were within the following bands:

	Nine months ended 31 December 2009 <i>HK\$</i>	Year ended 31 December 2010 <i>HK\$</i>	Year ended 31 December 2011 <i>HK\$</i>	Six months ended 30 June 2011 <i>HK\$</i> (Unaudited)	Six months ended 30 June 2012 <i>HK\$</i>
Nil – HK\$1,000,000	5	5	5	5	5
HK\$1,000,001 to HK\$1,500,000	–	–	–	–	–
	5	5	5	5	5

During the Relevant Periods, no emoluments were paid by TH Property Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining TH Property Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

13. (LOSS)/EARNINGS PER SHARE

No (loss)/earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. INTEREST IN AN ASSOCIATE

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Beginning of the year	–	–	45,145,366	45,433,959
Additions	–	45,000,000	–	–
Dividend income from an associate	–	–	(490,000)	–
Share of profits	–	145,366	778,593	796,442
	<u>–</u>	<u>145,366</u>	<u>778,593</u>	<u>796,442</u>
End of the year	<u>–</u>	<u>45,145,366</u>	<u>45,433,959</u>	<u>46,230,401</u>

Details of TH Property Groups associate as at 31 December 2010, 31 December 2011 and 30 June 2012 is as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of equity interest held	Principal activities
RBI Conglomerate (Holdings) Limited	BVI	Ordinary share, US\$1	50%	Investment holding and its subsidiaries engaged in properties investment

Summarised financial information in respect of TH Property Group's associate is set out below:

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Total assets	–	20,580,154	23,950,368	230,586,025
Total liabilities	–	1,071,789	3,864,817	1,907,587
	<u>–</u>	<u>19,508,365</u>	<u>20,085,551</u>	<u>228,678,438</u>
Net assets	<u>–</u>	<u>19,508,365</u>	<u>20,085,551</u>	<u>228,678,438</u>
Group's share of net assets of an associate	<u>–</u>	<u>9,754,183</u>	<u>10,042,775</u>	<u>114,339,219</u>

14. INTEREST IN AN ASSOCIATE (CONTINUED)

	Nine months ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Six months ended 30 June 2012
Total revenue	-	15,031,270	3,665,000	2,353,000
Total profit for the period/year	-	290,731	1,557,185	1,592,887
Group's share of profits of an associate	-	145,366	778,593	796,442
Group's share of other comprehensive income of an associate	-	-	-	-

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Leasehold improvement HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Medical equipment HK\$	Motor vehicle HK\$	Computer equipment HK\$	Total HK\$
COST								
Balance at 1 April 2009	-	1,056,128	370,530	712,480	-	-	9,042	2,148,180
Additions	126,546,370	2,311,690	40,290	-	35,000	-	-	128,933,350
Disposals	-	(84,069)	(24,470)	(108,307)	-	-	(9,042)	(225,888)
Balance at 31 December 2009	126,546,370	3,283,749	386,350	604,173	35,000	-	-	130,855,642
Additions	1,607,521	69,732,359	3,286,261	7,250	5,223,627	1,439,000	-	81,296,018
Transfer to investment properties	(18,230,908)	(3,154,835)	-	-	-	-	-	(21,385,743)
Disposals	-	(972,059)	(222,341)	(611,423)	-	-	-	(1,805,823)
Balance at 31 December 2010	109,922,983	68,889,214	3,450,270	-	5,258,627	1,439,000	-	188,960,094
Additions	-	10,867,944	663,736	37,762	6,002,944	-	-	17,572,386
Transfer to investment properties	(36,757,489)	-	-	-	-	-	-	(36,757,489)
Balance at 31 December 2011	73,165,494	79,757,158	4,114,006	37,762	11,261,571	1,439,000	-	169,774,991
Additions	-	502,170	31,651	-	7,198	-	-	541,019
Transfer to investment properties	(71,557,973)	(79,853,027)	(3,964,701)	-	(11,201,790)	-	-	(166,577,491)
Disposals	-	-	(15,001)	-	(66,979)	-	-	(81,980)
Balance at 30 June 2012	1,607,521	406,301	165,955	37,762	-	1,439,000	-	3,656,539
DEPRECIATION								
Balance at 1 April 2009	-	703,640	343,628	532,682	-	-	8,674	1,588,624
Charge for the period	-	225,615	16,185	96,307	1,167	-	1,682	340,956
Eliminated on disposals	-	(74,480)	(20,926)	(91,733)	-	-	(10,356)	(197,495)
Balance at 31 December 2009	-	854,775	338,887	537,256	1,167	-	-	1,732,085
Charge for the year	5,460,330	2,958,500	181,978	47,252	645,694	47,967	-	9,341,721
Eliminated on disposals	-	(883,685)	(218,054)	(584,508)	-	-	-	(1,686,247)
Balance at 31 December 2010	5,460,330	2,929,590	302,811	-	646,861	47,967	-	9,387,559
Charge for the year	3,680,119	14,956,883	762,470	1,750	1,348,576	287,800	-	21,037,598
Transfer to investment properties	(1,837,874)	-	-	-	-	-	-	(1,837,874)
Balance at 31 December 2011	7,302,575	17,886,473	1,065,281	1,750	1,995,437	335,767	-	28,587,283
Transfer to investment properties	(7,155,798)	(26,160,649)	(1,331,491)	-	(3,108,121)	-	-	(37,756,059)
Charge for the period	51,109	8,326,502	399,968	3,776	1,131,750	143,900	-	10,057,005
Eliminated on disposals	-	-	(3,916)	-	(19,066)	-	-	(22,982)
Balance at 30 June 2012	197,886	52,326	129,842	5,526	-	479,667	-	865,247

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings <i>HK\$</i>	Leasehold improvement <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Office equipment <i>HK\$</i>	Medical equipment <i>HK\$</i>	Motor vehicle <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
CARRYING AMOUNTS								
Balance at 30 June 2012	<u>1,409,635</u>	<u>353,975</u>	<u>36,113</u>	<u>32,236</u>	<u>-</u>	<u>959,333</u>	<u>-</u>	<u>2,791,292</u>
Balance at 31 December 2011	<u>65,862,919</u>	<u>61,870,685</u>	<u>3,048,725</u>	<u>36,012</u>	<u>9,266,134</u>	<u>1,103,233</u>	<u>-</u>	<u>141,187,708</u>
Balance at 31 December 2010	<u>104,462,653</u>	<u>65,959,624</u>	<u>3,147,459</u>	<u>-</u>	<u>4,611,766</u>	<u>1,391,033</u>	<u>-</u>	<u>179,572,535</u>
Balance at 31 December 2009	<u>126,546,370</u>	<u>2,428,974</u>	<u>47,463</u>	<u>66,917</u>	<u>33,833</u>	<u>-</u>	<u>-</u>	<u>129,123,557</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rate per annum:

Land and buildings	:	Over the lease term or 5%
Leasehold improvement	:	Over the lease term or 25%
Furniture and fixtures	:	20%
Office equipment	:	20% – 25%
Medical equipment	:	20%
Motor vehicle	:	20%
Computer equipment	:	33%

All of TH Property Group's land and buildings have been pledged to a bank to secure general banking facilities granted to the fellow subsidiaries. The carrying amounts of the land and buildings shown above comprise land in Hong Kong and held under medium-term lease.

16. INVESTMENT PROPERTIES

	<i>HK\$</i>
At 1 April 2009	29,900,000
Additions	93,445,995
Disposals	(38,484,630)
Gain on property revaluation	<u>11,138,635</u>
At 31 December 2009	96,000,000
Additions	74,487,039
Disposals	(11,500,000)
Transfer from property, plant and equipment	21,385,743
Gain on property revaluation	<u>34,567,218</u>
At 31 December 2010	<u>214,940,000</u>

16. INVESTMENT PROPERTIES (CONTINUED)

	<i>HK\$</i>
At 31 December 2010	214,940,000
Additions	56,859,679
Transfer from property, plant and equipment	42,340,582
Gain on property revaluation	<u>29,944,571</u>
At 31 December 2011	344,084,832
Additions	12,928,746
Transfer from property, plant and equipment	144,276,403
Gain on property revaluation	<u>69,960,019</u>
At 30 June 2012	<u><u>571,250,000</u></u>

The fair value of TH Property Group's investment properties at 31 December 2009, 2010, and 2011 have been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited ("DTZ"), and 30 June 2012 have been arrived at on the basis of a valuation carried out at that date by RHL Appraised Limited ("RHL"), a firm of independent qualified professional valuers not connected to TH Property Group. DTZ and RHL employ professional valuers who are members of the Hong Kong Institute of Surveyors, and have appropriate professional qualifications and recent experience in the location and category of the investment properties being valued. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of TH Property Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

A property previously included in "Property, plant and equipment" was transferred to investment property due to change in use as evidenced by commencement of operating leases to third parties. The difference at the date of change in use between the carrying amount of the property and its fair value converting to HK\$Nil, HK\$Nil, HK\$7,420,967, HK\$Nil and HK\$15,454,971 for the nine months ended 31 December 2009, years ended 2010 and 2011, the six months ended 30 June 2011 and the six months ended 30 June 2012 respectively recognised as a revaluation gain in other comprehensive income.

17. LOANS RECEIVABLE

	As at 31 December 2009 <i>HK\$</i>	As at 31 December 2010 <i>HK\$</i>	As at 31 December 2011 <i>HK\$</i>	As at 30 June 2012 <i>HK\$</i>
Fixed rate loans receivable (unsecured)	<u>10,655,698</u>	<u>23,305,534</u>	<u>3,499,369</u>	<u>2,400,000</u>
Analysed for reporting purposes as:				
Non-current portion (receivable after 12 months)	9,950,117	9,223,209	–	2,000,000
Current portion (receivable within 12 months)	<u>705,581</u>	<u>14,082,325</u>	<u>3,499,369</u>	<u>400,000</u>
	<u><u>10,655,698</u></u>	<u><u>23,305,534</u></u>	<u><u>3,499,369</u></u>	<u><u>2,400,000</u></u>

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on TH Property Group's loans receivable are 3% to 8.5% per annum, 3% to 8.5% per annum, 3% to 8.5% per annum and 5.5% per annum, at 31 December 2009, 2010, 2011 and 30 June 2012, respectively.

17. LOANS RECEIVABLE (CONTINUED)

No collateral agreements have been entered into in respect of the loans receivable.

Before granting loans to outsiders, TH Property Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits by borrower. Limits attributed to borrowers are reviewed by the management regularly.

The loans receivable at the end of the Relevant Periods have good credit quality. Management believes that no impairment allowance is necessary in respect of these loans receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The borrowers have good repayment history. TH Property Group does not hold any collateral over these balances.

No loans receivable is past due but not impaired.

18. DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Other deposits	5,013,381	943,838	921,195	1,547,257
Rental deposits	934,900	934,900	1,019,650	1,019,650
Other receivables	24,720	609,424	1,965,581	186,215
Prepayments	45,210	67,548	83,882	53,430
	<u>6,018,211</u>	<u>2,555,710</u>	<u>3,990,308</u>	<u>2,806,552</u>

19. BANK BALANCES AND CASH

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Cash at banks and on hand	<u>3,907,558</u>	<u>3,247,584</u>	<u>1,969,018</u>	<u>5,029,828</u>

The bank balances carried interest at floating rates based on daily bank deposit rates.

20. AMOUNT DUE FROM A RELATED COMPANY

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Advance Bond Limited	<u>430,616</u>	<u>215,855</u>	<u>–</u>	<u>319,992</u>
Maximum outstanding balances	<u>430,616</u>	<u>215,855</u>	<u>–</u>	<u>319,992</u>

20. AMOUNT DUE FROM A RELATED COMPANY (CONTINUED)

Advance Bond Limited is a group associate of Town Health International Investments Limited, the ultimate holding company of TH Property Holding.

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

21. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Receipt in advance	–	34,800	6,500	142,939
Accruals	692,396	9,450,706	1,165,230	490,517
Deposits received	930,350	2,154,230	2,895,702	3,354,678
Other payables	406,814	68,000	2,896,387	2,896,387
	<u>2,029,560</u>	<u>11,707,736</u>	<u>6,963,819</u>	<u>6,884,521</u>

22. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/ULTIMATE HOLDING COMPANY

The amounts due are unsecured, interest-free and repayable on demand.

23. AMOUNT DUE TO NON-CONTROLLING INTEREST

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

24. DEFERRED TAX LIABILITIES

At the end of each of the Relevant Periods, the major items of deferred taxation which have not been recognised are as follows:

Deferred tax liabilities	Accelerated tax depreciation HK\$
At 1 April 2009	216,253
Charge to profit or loss	<u>14,223</u>
At 31 December 2009	230,476
Charge to profit or loss	<u>142,495</u>
At 31 December 2010	372,971
Credit to profit or loss	<u>(222,749)</u>
At 31 December 2011	150,222
Charge to profit or loss	<u>—</u>
At 30 June 2012	<u><u>150,222</u></u>

TH Property Group has unused tax losses of approximately HK\$7,203,000, HK\$2,785,000, HK\$30,072,000 and HK\$24,540,117 as at 31 December 2009, 31 December 2010, 31 December 2011 and 30 June 2012 respectively available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the accelerated tax depreciation and the tax losses due to the unpredictability of future profit streams.

25. SHARE CAPITAL

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
<i>Authorised</i>				
50,000 ordinary shares of HK\$1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<i>Issued and fully paid</i>				
1 ordinary share of HK\$1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

26. RETIREMENT BENEFIT SCHEME

TH Property Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of TH Property Group in funds under the control of trustees.

The total expense from continuing operations for each of the nine months ended 31 December 2009, years ended 2010 and 2011, the six months ended 30 June 2011 and the six months ended 30 June 2012 of HK\$Nil, HK\$23,785, HK\$78,298, HK\$43,051 and HK\$21,691 respectively recognised in the combined statement of comprehensive income of represents contributions payable to the plan by TH Property Group at rates specified in the rules of the plan.

27. OPERATING LEASES

TH Property Group as lessor

At the end of each of the Relevant Periods, TH Property Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of premises which would fall due as follows:

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Within one year	2,283,000	5,950,680	11,034,713	16,027,481
In the second to fifth years inclusive	1,089,000	2,229,106	5,536,074	7,515,689
	<u>3,372,000</u>	<u>8,179,786</u>	<u>16,570,787</u>	<u>23,543,170</u>

Operating leases relate to office premises with lease terms of between 1 to 2 years.

TH Property Group as lessee

At the end of the reporting period, TH Property Group had commitments for future minimum leases payments under non-cancellable operating leases in respect of office premises, clients and staff quarters which would fall due as follows:

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
Within one year	2,700,000	1,800,000	3,375,000	3,375,000
In the second to fifth years inclusive	1,800,000	-	5,625,000	2,250,000
	<u>4,500,000</u>	<u>1,800,000</u>	<u>9,000,000</u>	<u>5,625,000</u>

Operating lease payments represent rentals payable by TH Property Group for office premises. Leases are negotiated and rentals are fixed for three years.

28. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in this report, TH Property Group has the following material related party transactions during the Relevant Periods:

	Nine months ended 31 December 2009 HK\$	Year ended 31 December 2010 HK\$	Year ended 31 December 2011 HK\$	Six months ended 30 June 2011 HK\$ (Unaudited)	Six months ended 30 June 2012 HK\$
Rental income received from Advance Bond Limited	621,000	828,000	828,000	414,000	444,000
Purchase of investment property from Town Health Medical & Dental Services Limited	–	51,246,989	–	–	–
Management fee income received from Audio Health Hearing Care Limited	1,600	–	–	–	–
Management fee income received from Hong Kong Traumatology and Orthopaedics Institute Limited	–	–	329,360	106,975	231,107
Management fee income received from Hong Kong Bariatric and Metabolic Institute Limited	–	–	87,955	11,402	79,271
Rental and management fee income received from Noble Pioneer Limited	–	–	547,320	273,660	273,660
Rental and management fee income from Town Health Dental Limited	549,000	732,000	1,740,998	778,245	1,055,078
Rental and management fee income received from Town Health Medical & Dental Services Limited	558,000	800,161	3,125,275	1,564,589	1,630,088
Rental and management fee income received from Town Health Management and Services Limited	712,350	657,825	362,160	181,080	181,080
Rental and management fee income received from Town Health Medical Network Services Limited	–	–	396,720	198,360	198,360
Rental and management fee income received from Town Health Corporate Advisory and Investments Limited	–	–	5,552,820	2,776,410	2,776,410
Education service fee income received from Town Health Medical & Dental Services Limited	89,500	135,600	128,700	49,500	–
Management fee paid to Town Health Medical & Dental Services Limited	–	1,200	–	–	–
Management fee paid to Town Health Corporate Advisory and Investments Limited	–	46,200	57,420	30,660	32,684
	<u>–</u>	<u>46,200</u>	<u>57,420</u>	<u>30,660</u>	<u>32,684</u>

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Note:

- (i) The above companies were under the control of ultimate holding company of TH Property Holding, Town Health International Investments Limited.
- (ii) The above transactions were entered into with the fellow subsidiaries and a group associate on terms mutually agreed by individual parties. In the opinion of the directors of TH Property Holding, these related party transactions were conducted under normal commercial terms and in the ordinary and usual course of TH Property Group's business.
- (b) During the Relevant Periods, the key management personnel compensation paid by TH Property Holding was disclosed in note 12 to the Financial Information.

29. CAPITAL MANAGEMENT

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

The capital structure of TH Property Group consists of net debt (which includes bank borrowings), cash and cash equivalents and equity attributable to owners of TH Property Company (comprising issued share capital and reserves).

The directors of TH Property Holding review TH Property Group's capital structure regularly. As part of this review, the directors of TH Property Holding consider the cost of capital and the risks associated with each class of the capital. TH Property Group seeks to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

30. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	As at 31 December 2009 HK\$	As at 31 December 2010 HK\$	As at 31 December 2011 HK\$	As at 30 June 2012 HK\$
<i>Financial assets</i>				
Loans and receivables (including cash and cash equivalents)	20,966,873	29,257,135	9,374,813	33,747,942
<i>Financial liabilities</i>				
Amortised cost	227,898,551	434,563,541	474,246,740	502,862,579

30. FINANCIAL INSTRUMENTS (CONTINUED)**(b) Financial risk management objectives and policies**

TH Property Group's major financial instruments include deposits and other receivables, loans receivable, amounts due from a related company, bank balances and cash, accruals, deposits received and other payables, amounts due to fellow subsidiaries, amount due to immediate holding company, amount due to ultimate holding company and amount due to non-controlling-interest. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

TH Property Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are denominated in Hong Kong dollars. TH Property Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk management

TH Property Group has minimal exposure to interest rate risk as TH Property Group did not have any interest-bearing liabilities at the end of each of the Relevant Periods. TH Property Group currently does not have a formal interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging the interest rate risk should the need arise.

Credit risk management

At the end of each of the Relevant Periods, TH Property Group's maximum exposure to credit risk which will cause a financial loss to TH Property Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

In order to minimise the credit risk, the management of TH Property Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, TH Property Group reviews the recoverable amount of each individual trade debt and debt investment at the end of each of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of TH Property Holding consider that TH Property Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, TH Property Group does not have any other significant concentration of credit risk.

Liquidity risk management

TH Property Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The following table details TH Property Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which TH Property Group can be required to pay. The table includes both contractual interest and principal cash flows.

Liquidity table

	Weighted average interest rate %	Less than 1 year HK\$	More than 1 year HK\$	Total undiscounted cash flows HK\$	Total carrying amount HK\$
As at 31 December 2009					
Non-derivative financial liabilities					
Accruals, deposit received and other payables	–	2,029,560	–	2,029,560	2,029,560
Amounts due to fellow subsidiaries	–	65,284,449	–	65,284,449	65,284,449
Amount due to immediate holding company	–	142,530,542	–	142,530,542	142,530,542
Amount due to ultimate holding company	–	16,218,846	–	16,218,846	16,218,846
Amount due to non-controlling interest	–	1,835,154	–	1,835,154	1,835,154
		<u>227,898,551</u>	<u>–</u>	<u>227,898,551</u>	<u>227,898,551</u>
As at 31 December 2010					
Non-derivative financial liabilities					
Accruals, deposit received and other payables	–	11,707,736	–	11,707,736	11,707,736
Amounts due to fellow subsidiaries	–	1,380	–	1,380	1,380
Amount due to immediate holding company	–	412,094,171	–	412,094,171	412,094,171
Amount due to ultimate holding company	–	8,925,100	–	8,925,100	8,925,100
Amount due to non-controlling interest	–	1,835,154	–	1,835,154	1,835,154
		<u>434,563,541</u>	<u>–</u>	<u>434,563,541</u>	<u>434,563,541</u>

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

*Liquidity risk management (continued)**Liquidity table (continued)*

	Weighted average interest rate %	Less than 1 year HK\$	More than 1 year HK\$	Total undiscounted cash flows HK\$	Total carrying amount HK\$
As at 31 December 2011					
Non-derivative financial liabilities					
Accruals, deposit received and other payables	–	6,963,819	–	6,963,819	6,963,819
Amounts due to fellow subsidiaries	–	58,910	–	58,910	58,910
Amount due to immediate holding company	–	458,298,911	–	458,298,911	458,298,911
Amount due to ultimate holding company	–	8,925,100	–	8,925,100	8,925,100
		<u>474,246,740</u>	<u>–</u>	<u>474,246,740</u>	<u>474,246,740</u>
As at 30 June 2012					
Non-derivative financial liabilities					
Accruals, deposit received and other payables	–	6,884,521	–	6,884,521	6,884,521
Amount due to immediate holding company	–	495,978,058	–	495,978,058	495,978,058
		<u>502,862,579</u>	<u>–</u>	<u>502,862,579</u>	<u>502,862,579</u>

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

30. FINANCIAL INSTRUMENTS (CONTINUED)**(c) Fair value of financial instruments (continued)**

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the combined financial information approximate to their fair values.

Fair value measurements recognised in the combined statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of each of the Relevant Periods, the Company did not have any financial instruments that are measured subsequent to initial recognition at fair value.

II. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Financial Information, no significant event took place subsequent to 30 June 2012.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies comprising TH Property Group have been prepared in respect of any period subsequent to 30 June 2012.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**Introduction**

According to the SP Agreement, upon the Completion, each entity of CN Property Group will cease to be a subsidiary of the Company; and CN Property Holding will become a wholly-owned subsidiary of TH Property Holding which will in turn be owned as to 75% by TH BVI, a wholly-owned subsidiary of Town Health International Investments Limited, and 25% by CN BVI, a wholly-owned subsidiary of the Company upon the issue of Consideration Shares by TH Property Holding to CN BVI. Under the SP Agreement, TH Property Holding has further agreed and undertaken that, within the First Right Period, in case TH Property Holding proposes to raise fund by issue of new shares of TH Property Holding, it shall offer the First Right to CN BVI to subscribe for the First Right Shares at cash consideration with a cap of HK\$100 million. The number of First Right Shares to be issued under the First Right Subscription will be determined based on the formula stipulated in the SP Agreement and CN BVI's maximum percentage of shareholding in TH Property Holding after the First Right Subscription will be capped at 40% of the issued share capital of TH Property Holding as enlarged by (i) the Consideration Shares upon the Completion and (ii) the First Right Shares upon the completion of First Right Subscription.

The unaudited pro forma financial information of the Remaining Group (the "Unaudited Pro Forma Financial Information"), comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group, has been prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effects of the following scenario:

Scenario 1 – where the Group held 25% of the issued share capital of TH Property Holding as enlarged by the Consideration Shares upon the Completion, as if the Completion had been taken place at the dates reported on; and

Scenario 2 – where the Group held 40% of the issued share capital of TH Property Holding as enlarged by (i) the Consideration Shares upon the Completion and (ii) the First Right Shares upon the completion of the First Right Subscription immediately after the Completion, as if the Completion and the completion of the First Right Subscription had been taken place at the dates reported on.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the Directors have made the following key assumptions:

- (i) It has been assumed that the amount due to the Remaining Group owing by CN Property Group of approximately HK\$161,600,000 were capitalised immediately prior to the Completion under Scenario 1 and 2.

- (ii) It has been assumed that the amount due to TH Group owing by TH Property Group of approximately HK\$427,317,000 were capitalised immediately prior to the Completion under Scenario 1 and 2.
- (iii) It has been assumed that the Remaining Group subscribed the First Right Shares under the First Right Subscription at maximum consideration of HK\$100,000,000 in order to hold additional 15% equity interest in TH Property Holding immediately after the Completion under Scenario 2.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to the Company's circular dated 30 October 2012 (the "Circular"), the financial information of CN Property Group as set out in Appendix II to the Circular, the financial information of TH Property Group as set out in Appendix III to the Circular and other financial information included elsewhere in the Circular. The Unaudited Pro Forma Financial Information does not take account of any trading or other transactions subsequent to the date of the respective financial statements of the companies comprising the Remaining Group, CN Property Group and TH Property Group included in the Unaudited Pro Forma Financial Information.

Scenario 1 – where the Group held 25% of the issued share capital of TH Property Holding as enlarged by the Consideration Shares upon the Completion, as if the Completion had been taken place at the dates reported on.

The unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 1 is prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2012 as extracted from published annual report of the Company for the year ended 30 June 2012, the unaudited combined statement of financial position of CN Property Group as at 30 June 2012 as set out in Appendix II to the Circular and audited combined statement of financial position of TH Property Group as at 30 June 2012 as set out in Appendix III to the Circular, after making pro forma adjustments relating to the Completion that are (i) directly attributable to the transaction concerned and not relating to future events or decisions; and (ii) factually supportable.

The unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 1 and the unaudited pro forma consolidated statement of cash flows of the Remaining Group under Scenario 1 are prepared based on the audited consolidated statement of comprehensive income of the Group and the audited consolidated statement of cash flows of the Group for the financial year ended 30 June 2012 as extracted from published annual report of the Company for the year ended 30 June 2012, the unaudited combined statement of comprehensive income and the unaudited combined statement of cash flows of CN Property Group for the financial year ended 30 June 2012 as set out in Appendix II to the Circular, the audited combined statement of comprehensive income and the audited combined statement of cash flows of TH Property Group for the financial year ended 31 December 2011 as set out in Appendix III to the Circular, after making pro forma adjustments relating to the Completion that are (i) directly attributable to the transaction concerned and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information under Scenario 1 has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Completion actually occurred on the dates indicated therein. Furthermore, the Unaudited Pro Forma Financial Information of the Remaining Group under Scenario 1 does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

Unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 1

	The Group as at 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group as at 30 June 2012 <i>HK\$'000</i> (Unaudited) (Note 1.1)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	Notes	Pro forma Remaining Group under Scenario 1 <i>HK\$'000</i> (Unaudited)
Non-current assets					
Property, plant and equipment	5,420	(393)			5,027
Investment properties	183,300	(183,300)			-
Goodwill	22,262				22,262
Interest in an associate – 25% equity interest in TH Property Holding	-		166,999	1.4	166,999
	<u>210,982</u>				<u>194,288</u>
Current assets					
Inventories	6,515				6,515
Trade and other receivables	46,808	(400)			46,408
Held-for-trading investments	25,906				25,906
Amounts due from the Remaining Group	-	(28,741)	28,741	1.2	-
Amounts due from CN Property Group	-		209,675 (161,600)	1.2 1.3	48,075
Tax recoverable	193	141			334
Bank balances and cash	32,847	(4,883)			27,964
	<u>112,269</u>				<u>155,202</u>
Current liabilities					
Trade and other payables	8,955	(1,390)			7,565
Amounts due to the Remaining Group	-	(209,675)	209,675	1.2	-
Amounts due to CN Property Group	-		28,741	1.2	28,741
	<u>8,955</u>				<u>36,306</u>
Non-current liabilities					
Deferred tax liabilities	1,159	(1,112)			47
Net assets	<u>313,137</u>				<u>313,137</u>
Capital and reserves					
Share capital	83,125				83,125
Reserves	230,012				230,012
Total equity	<u>313,137</u>				<u>313,137</u>

Notes to the unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 1:

- 1.1 The adjustment represents the exclusion of the assets and liabilities of CN Property Group (as extracted from the unaudited combined statement of financial position of CN Property Group as at 30 June 2012 as set out in Appendix II to the Circular), as if the Completion had taken place at the date reported on.
- 1.2 The adjustment represents the reinstatement of the inter-company balances between the Remaining Group and CN Property Group as at 30 June 2012, which should not be eliminated, as if the Completion had taken place at the date reported on.
- 1.3 The adjustment reflects the capitalisation of amount due to the Remaining Group owing by CN Property Group of approximately HK\$161,600,000 immediately prior to the Completion, as if the Completion had taken place at the date reported on.
- 1.4 According to the SP Agreement, the Group will receive Consideration Shares (representing 25% of issued share capital of TH Property Holding as enlarged by the Consideration Shares) for the disposal of CN Property Group upon the Completion. Therefore, the Remaining Group will recognise the 25% equity interest in TH Property Holding as an interest in an associate in accordance with Hong Kong Accounting Standard 28 "Investments in Associates" ("HKAS 28") issued by the Hong Kong Institute of Certified Public Accountants. Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount of the associate is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The adjustment represents the recognition of interest in an associate of HK\$166,999,000 representing the adjusted net assets of CN Property Group disposed of upon the Completion, as if the Completion had taken place at the date reported on.

The adjusted combined net assets of CN Property Group disposed of is calculated as follows:

	<i>HK\$'000</i>
Combined net assets of CN Property Group (as shown in the unaudited combined statement of financial position as at 30 June 2012 of CN Property Group as set out in Appendix II to the Circular)	5,399
Capitalisation of amount due to the Remaining Group owing by CN Property Group	<u>161,600</u>
Adjusted combined net assets of CN Property Group as at 30 June 2012	<u><u>166,999</u></u>

Since the actual net carrying amounts of the identifiable assets and liabilities of CN Property Group disposal of would be different from their estimated combined net assets of CN Property Group used in the preparation of the Unaudited Pro Forma Financial Information, the actual financial position of the Remaining Group upon the Completion might be materially different from financial position of the Remaining Group as shown in the unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 1.

Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 1

	The Group for the year ended 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group for the year ended 30 June 2012 <i>HK\$'000</i> (Unaudited) <i>(Note 1.5)</i>	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group under Scenario 1 <i>HK\$'000</i> (Unaudited)
Revenue	57,245	(6,706)			50,539
Cost of sales and services provided	<u>(32,085)</u>	618			<u>(31,467)</u>
Gross profit	25,160				19,072
Other income	1,615	(216)			1,399
Selling and distribution expenses	(6,889)				(6,889)
Administrative expenses	(34,236)	8,176			(26,060)
Other operating expenses	(6,126)	1,379			(4,747)
Loss arising on change in fair value of held-for-trading investments	(13,361)	8,075			(5,286)
Gain/(loss) on disposal of subsidiaries	728	(1,337)	-	1.6	(609)
Gain arising on change in fair value of investment properties	21,866	(21,866)			-
Share of results of an associate	-		8,985	1.7	8,985
Impairment losses recognised in respect of goodwill	<u>(4,000)</u>				<u>(4,000)</u>
Loss before tax	(15,243)				(18,135)
Income tax expense	<u>(938)</u>	509			<u>(429)</u>
Loss for the year	(16,181)				(18,564)
Other comprehensive income for the year					
Gain on revaluation of property upon transfer to investment property	<u>222</u>				<u>222</u>
Total comprehensive expense for the year	<u><u>(15,959)</u></u>				<u><u>(18,342)</u></u>

Notes to the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 1:

- 1.5. The adjustment represents the exclusion of the results of CN Property Group for the year ended 30 June 2012 (as extracted from the unaudited combined statement of comprehensive income of CN Property Group for the year ended 30 June 2012 as set out in Appendix II to the Circular), as if the Completion had taken place at the commencement of the period reported on.
- 1.6. No gain/loss on the disposal of CN Property Group is recognised in the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 1, as if the Completion had taken place at the commencement of the period reported on.

The gain/loss on the disposal of CN Property Group is calculated as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Combined net liabilities of CN Property Group (as shown in the unaudited combined statement of financial position as at 30 June 2011 of CN Property Group as set out in Appendix II to the Circular)	(6,190)	
Capitalisation of amount due to the Remaining Group owing by CN Property Group	<u>161,600</u>	
Adjusted combined net assets of CN Property Group disposal of		155,410
Consideration:		
Interest in an associate (representing 25% of equity interest in TH Property Holding)		<u>(155,410)</u>
Gain/loss on the disposal of CN Property Group		<u><u>–</u></u>

According to the SP Agreement, the Group will receive Consideration Shares (representing 25% of issued share capital of TH Property Holding as enlarged by the Consideration Shares) for the disposal of CN Property Group upon the Completion. Therefore, the Remaining Group will recognise the 25% equity interest in TH Property Holding as an interest in an associate in accordance with HKAS 28. Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount of the associate is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

For the preparation of the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 1, the interest in an associate of HK\$155,410,000 represents the adjusted combined net assets of CN Property Group disposed of upon the Completion, as if the Completion had taken place at the commencement of the period reported on.

- 1.7 The adjustment represents the Remaining Group's share of 25% of the results of the Enlarged TH Property Group for the year ended 30 June 2012 under the equity method in accordance with HKAS 28, as if the Completion had taken place at the commencement of the period reported on. This adjustment is expected to have a continuing effect on the Remaining Group.

The Remaining Group's share of 25% of results of the Enlarged TH Property Group for the year ended 30 June 2012 is calculated as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Combined net profit of TH Property Group for the year ended 31 December 2011 (as shown in the audited combined statement of comprehensive income for the year ended 31 December 2011 as set out in Appendix III to the Circular)	24,571	
Combined net profit of CN Property Group for the year ended 30 June 2012 (as shown in the unaudited combined statement of comprehensive income for the year ended 30 June 2012 as set out in Appendix II to the Circular)	<u>11,368</u>	
Adjusted combined net profit of the Enlarged TH Property Group for the year ended 30 June 2012		<u><u>35,939</u></u>
The Remaining Group's share of 25% of results of the Enlarged TH Property Group for the year ended 30 June 2012 (representing 25% of adjusted combined net profit of the Enlarged TH Property Group for the year ended 30 June 2012)		<u><u>8,985</u></u>

Unaudited pro forma consolidated statement of cash flows of the Remaining Group under Scenario 1

	The Group for the year ended 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group for the year ended 30 June 2012 <i>HK\$'000</i> (Unaudited) (Note 1.8)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	Notes	Pro forma Remaining Group under Scenario 1 <i>HK\$'000</i> (Unaudited)
Cash flows from operating activities					
Loss before tax	(15,243)	(11,877)	8,985	1.7	(18,135)
Adjustments for:					
Interest income	(391)	12			(379)
Dividend income	(8)	8			-
Depreciation	2,238	(262)			1,976
(Gain)/loss on disposal of subsidiaries	(728)	1,337			609
Impairment losses recognised on trade and other receivables	784	(19)			765
Impairment losses recognised in respect of goodwill	4,000				4,000
Gain arising on change of in fair value of investment properties	(21,866)	21,866			-
Write-off of property, plant and equipment	1,347	(113)			1,234
Share of results of an associate	-		(8,985)	1.7	(8,985)
Write-off of inventories	465				465
	<u>(29,402)</u>				<u>(18,450)</u>
Movements in working capital					
Decrease in amounts due from CN Property Group	-	38			38
Increase in inventories	(1,711)				(1,711)
Decrease in trade and other receivables	6,683	(710)			5,973
Decrease/(increase)in held-for-trading investments	4,180	(20,095)			(15,915)
Decrease in trade and other payables	(4,130)	111			(4,019)
Increase in amounts due to CN Property Group	-	20,360			20,360
	<u>(24,380)</u>				<u>(13,724)</u>
Cash used in operations					
Hong Kong profits tax paid	(2,202)				(2,202)
	<u>(26,582)</u>				<u>(15,926)</u>
Net cash used in operating activities					

	The Group for the year ended 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group for the year ended 30 June 2012 <i>HK\$'000</i> (Unaudited) (<i>Note 1.8</i>)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group under Scenario 1 <i>HK\$'000</i> (Unaudited)
Cash flows from investing activities					
Payments for investment properties	(16,094)	16,094			-
Payments for property, plant and equipment	(2,755)	884			(1,871)
Advance to loan receivable	(12,000)				(12,000)
Deposits paid in respect of a proposed acquisition	(23,000)				(23,000)
Proceeds from disposal of investment properties	4,800	(4,800)			-
Net cash inflow/(outflow) arising on disposal of subsidiaries	2,046	680	(28,377)	1.9	(25,651)
Dividends received	8	(8)			-
Interest received	391	(12)			379
Net cash used in investing activities	<u>(46,604)</u>				<u>(62,143)</u>
Cash flows from Financing activities					
Proceeds from issue of new shares by way of open offer	38,792				38,792
Share issue expenses	<u>(1,659)</u>				<u>(1,659)</u>
Net cash generated from financing activities	<u>37,133</u>				<u>37,133</u>
Net decrease in cash and cash equivalents	(36,053)				(40,936)
Cash and cash equivalents at the beginning of year	<u>68,900</u>				<u>68,900</u>
Cash and cash equivalents at the end of year	<u><u>32,847</u></u>				<u><u>27,964</u></u>

Notes to the unaudited pro forma consolidated statement of cash flows of the Remaining Group under Scenario 1:

- 1.8 The adjustment represents the exclusion of the cash flows of CN Property Group for the year ended 30 June 2012 (as extracted from the unaudited combined statement of cash flows of CN Property Group for the year ended 30 June 2012 as set out in Appendix II to the Circular), as if the Completion had taken place at the commencement of the period reported on.
- 1.9 The adjustment represents the net cash outflow arising on the Disposal, representing the balance of bank balances and cash of CN Property Group as at 1 July 2011 of approximately HK\$28,377,000 (as extracted from the unaudited combined statement of financial position of CN Property Group as at 30 June 2011 as set out in Appendix II to the Circular), as if the Completion had been taken place at the commencement of the period reported on.

Scenario 2 - where the Group held 40% of the issued share capital of TH Property Holding as enlarged by (i) the Consideration Shares upon the Completion and (ii) the First Right Shares upon the completion of the First Right Subscription immediately after the Completion, as if the Completion and the completion of the First Right Subscription had been taken place at the dates report on.

The unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 2 is prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2012 as extracted from published annual report of the Company for the year ended 30 June 2012, the unaudited combined statement of financial position of CN Property Group as at 30 June 2012 as set out in Appendix II to the Circular and audited combined statement of financial position of TH Property Group as at 30 June 2012 as set out in Appendix III to the Circular, after making pro forma adjustments relating to the Completion and the First Right Subscription which are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable.

The unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 2 and the unaudited pro forma consolidated statement of cash flows of the Remaining Group under Scenario 2 are prepared based on the audited consolidated statement of comprehensive income of the Group and the audited consolidated statement of cash flows of the Group for the financial year ended 30 June 2012 as extracted from published annual report of the Company for the year ended 30 June 2012, the unaudited combined statement of comprehensive income and the unaudited combined statement of cash flows of CN Property Group for the financial year ended 30 June 2012 as set out in Appendix II to the Circular, the audited combined statement of comprehensive income and the audited combined statement of cash flows of TH Property Group for the financial year ended 31 December 2011 as set out in Appendix III to the Circular, after making pro forma adjustments relating to the Completion and the First Right Subscription which are (i) directly attributable to the transaction concerned and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information under Scenario 2 has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Completion actually occurred on the dates indicated therein. Furthermore, the Unaudited Pro Forma Financial Information of the Remaining Group under Scenario 2 does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

Unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 2

	The Group as at 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group as at 30 June 2012 <i>HK\$'000</i> (Unaudited) (Note 2.1)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	Notes	Pro forma Remaining Group under Scenario 2 <i>HK\$'000</i> (Unaudited)
Non-current assets					
Property, plant and equipment	5,420	(393)			5,027
Investment properties	183,300	(183,300)			–
Goodwill	22,262				22,262
Interest in an associate – 40% equity interest in TH Property Holding	–		166,999	2.4	
			100,000	2.5	266,999
	<u>210,982</u>				<u>294,288</u>
Current assets					
Inventories	6,515				6,515
Trade and other receivables	46,808	(400)			46,408
Held-for-trading investments	25,906				25,906
Amounts due from the Remaining Group	–	(28,741)	28,741	2.2	–
Amounts due from CN Property Group	–		209,675	2.2	48,075
			(161,600)	2.3	
Tax recoverable	193	141			334
Bank balances and cash	32,847	(4,883)	(100,000)	2.5	(72,036)
	<u>112,269</u>				<u>55,202</u>
Current liabilities					
Trade and other payables	8,955	(1,390)			7,565
Amounts due to the Remaining Group	–	(209,675)	209,675	2.2	–
Amounts due to CN Property Group	–		28,741	2.2	28,741
	<u>8,955</u>				<u>36,306</u>
Non-current liabilities					
Deferred tax liabilities	1,159	(1,112)			47
Net assets	<u>313,137</u>				<u>313,137</u>
Capital and reserves					
Share capital	83,125				83,125
Reserves	230,012				230,012
Total equity	<u>313,137</u>				<u>313,137</u>

Notes to the unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 2

- 2.1 The adjustment represents the exclusion of the assets and liabilities of CN Property Group (as extracted from the unaudited combined statement of financial position of CN Property Group as at 30 June 2012 as set out in Appendix II to the Circular), as if the Completion and the completion of the First Right Subscription had taken place at the date reported on.
- 2.2 The adjustment represents the reinstatement of the inter-company balances between the Remaining Group and CN Property Group as at 30 June 2012, which should not be eliminated, as if the Completion and the completion of the First Right Subscription had taken place at the date reported on.
- 2.3 The adjustment reflects the capitalisation of amount due to the Remaining Group owing by CN Property Group of approximately HK\$161,600,000 immediately prior to the Completion, as if the Completion and the completion of First Right Subscription had taken place at the date reported on.
- 2.4 According to the SP Agreement, the Group will receive Consideration Shares (representing 25% of issued share capital of TH Property Holding as enlarged by the Consideration Shares) for the disposal of CN Property Group upon the Completion. Therefore, the Remaining Group will recognise the 25% equity interest in TH Property Holding as an interest in an associate in accordance with HKAS 28 issued by the Hong Kong Institute of Certified Public Accountants. Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount of the associate is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The adjustment represents the recognition of interest in an associate of HK\$166,999,000 representing the adjusted net assets of CN Property Group disposed of upon the Completion, as if the Completion and the completion of First Right Subscription had taken place at the date reported on.

The adjusted combined net assets of CN Property Group disposed of is calculated as follows:

	<i>HK\$'000</i>
Combined net assets of CN Property Group (as shown in the unaudited combined statement of financial position as at 30 June 2012 of CN Property Group as set out in Appendix II to the Circular)	5,399
Capitalisation of amount due to the Remaining Group owing by CN Property Group	<u>161,600</u>
Adjusted combined net assets of CN Property Group as at 30 June 2012	<u><u>166,999</u></u>

Since the actual net carrying amounts of the identifiable assets and liabilities of CN Property Group disposal of would be different from their estimated combined net assets of CN Property Group used in the preparation of the Unaudited Pro Forma Financial Information, the actual financial position of the Remaining Group upon the Completion might be materially different from financial position of the Remaining Group as shown in the unaudited pro forma consolidated statement of financial position of the Remaining Group under Scenario 2.

- 2.5 The adjustment reflects the recognition of additional 15% equity interest in TH Property Holding at the maximum consideration of HK\$100,000,000 for the subscription of the First Right Shares under the First Right Subscription, as if the Completion and the completion of the First Right Subscription had taken place at the date reported on.

Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 2

	The Group for the year ended 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group for the year ended 30 June 2012 <i>HK\$'000</i> (Unaudited) (Note 2.6)	Pro forma adjustment <i>HK\$'000</i> (Unaudited)	Notes	Pro forma Remaining Group under Scenario 2 <i>HK\$'000</i> (Unaudited)
Revenue	57,245	(6,706)			50,539
Cost of sales and services provided	<u>(32,085)</u>	618			<u>(31,467)</u>
Gross profit	25,160				19,072
Other income	1,615	(216)			1,399
Selling and distribution expenses	(6,889)				(6,889)
Administrative expenses	(34,236)	8,176			(26,060)
Other operating expenses	(6,126)	1,379			(4,747)
Loss arising on change in fair value of held-for-trading investments	(13,361)	8,075			(5,286)
Gain/(loss) on disposal of subsidiaries	728	(1,337)	-	2.7	(609)
Gain arising on change in fair value of investment properties	21,866	(21,866)			-
Share of results of an associate	-		14,376	2.8	14,376
Impairment losses recognised in respect of goodwill	<u>(4,000)</u>				<u>(4,000)</u>
Loss before tax	(15,243)				(12,744)
Income tax expense	<u>(938)</u>	509			<u>(429)</u>
Loss for the year	(16,181)				(13,173)
Other comprehensive income for the year					
Gain on revaluation of property upon transfer to investment property	<u>222</u>				<u>222</u>
Total comprehensive expense for the year	<u><u>(15,959)</u></u>				<u><u>(12,951)</u></u>

Notes to the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 2:

- 2.6 The adjustment represents the exclusion of the results of CN Property Group for the year ended 30 June 2012 (as extracted from the unaudited combined statement of comprehensive income of CN Property Group for the year ended 30 June 2012 as set out in Appendix II to the Circular), as if the Completion and the completion of the First Right Subscription had taken place at the commencement of the period reported on.
- 2.7 No gain/loss on the disposal of CN Property Group is recognised in the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 2, as if the Completion and the completion of the First Right Subscription had taken place at the commencement of the period reported on.

The gain/loss on the disposal of CN Property Group is calculated as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Combined net liabilities of CN Property Group (as shown in the unaudited combined statement of financial position as at 30 June 2011 of CN Property Group as set out in Appendix II to the Circular)	(6,190)	
Capitalisation of amount due to the Remaining Group owing by CN Property Group	<u>161,600</u>	
Adjusted combined net assets of CN Property Group disposal of		155,410
Consideration:		
Interest in an associate (representing 25% equity interest in TH Property Holding)		<u>(155,410)</u>
Gain/loss on the disposal of CN Property Group		<u><u>–</u></u>

According to the SP Agreement, the Group will receive Consideration Shares (representing 25% of issued share capital of TH Property Holding as enlarged by the Consideration Shares) for the disposal of CN Property Group upon the Completion. Therefore, the Remaining Group will recognise the 25% equity interest in TH Property Holding as an interest in an associate in accordance with HKAS 28. Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount of the associate is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

For the preparation of the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group under Scenario 2, the interest in an associate of HK\$155,410,000 represents the adjusted combined net assets of CN Property Group disposed of upon the Completion and the completion of the First Right Subscription and immediately prior to the completion of the First Right Subscription, as if the Completion and the completion of the First Right Subscription had taken place at the commencement of the period reported on.

- 2.8 The adjustment represents the Remaining Group's share of 40% of the results of the Enlarged TH Property Group for the year ended 30 June 2012 under the equity method in accordance with HKAS 28, as if the Completion and the completion of the First Right Subscription had taken place at the commencement of the period reported on. This adjustment is expected to have a continuing effect on the Remaining Group.

The Remaining Group's share of 40% of results of the Enlarged TH Property Group for the year ended 30 June 2012 is calculated as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Combined net profit of TH Property Group for the year ended 31 December 2011 (as shown in the audited combined statement of comprehensive income for the year ended 31 December 2011 as set out in Appendix III to the Circular)	24,571	
Combined net profit of CN Property Group for the year ended 30 June 2012 (as shown in the unaudited combined statement of comprehensive income for the year ended 30 June 2012 as set out in Appendix II to the Circular)	<u>11,368</u>	
Adjusted combined net profit of the Enlarged TH Property Group for the year ended 30 June 2012		<u><u>35,939</u></u>
The Remaining Group's share of 40% of results of the Enlarged TH Property Group for the year ended 30 June 2012 (representing 40% of adjusted combined net profit of the Enlarged TH Property Group for the year ended 30 June 2012)		<u><u>14,376</u></u>

Unaudited pro forma consolidated statement of cash flows of the Remaining Group under Scenario 2

	The Group for the year ended 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group for the year ended 30 June 2012 <i>HK\$'000</i> (Unaudited) (Note 2.9)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	Notes	Pro forma Remaining Group under Scenario 2 <i>HK\$'000</i> (Unaudited)
Cash flows from operating activities					
Loss before tax	(15,243)	(11,877)	14,376	2.8	(12,744)
Adjustments for:					
Interest income	(391)	12			(379)
Dividend income	(8)	8			-
Depreciation	2,238	(262)			1,976
(Gain)/loss on disposal of subsidiaries	(728)	1,337			609
Impairment losses recognised on trade and other receivables	784	(19)			765
Impairment losses recognised in respect of goodwill	4,000				4,000
Gain arising on change of in fair value of investment properties	(21,866)	21,866			-
Write-off of property, plant and equipment	1,347	(113)			1,234
Share of results of an associate	-		(14,376)	2.8	(14,376)
Write-off of inventories	465				465
	<u>(29,402)</u>				<u>(18,450)</u>
Movements in working capital					
Decrease in amounts due from CN Property Group	-	38			38
Increase in inventories	(1,711)				(1,711)
Decrease in trade and other receivables	6,683	(710)			5,973
Decrease/(increase)in held-for-trading investments	4,180	(20,095)			(15,915)
Decrease in trade and other payables	(4,130)	111			(4,019)
Increase in amounts due to CN Property Group	-	20,360			20,360
	<u>(24,380)</u>				<u>(13,724)</u>
Cash used in operations					
Hong Kong profits tax paid	(2,202)				(2,202)
	<u>(26,582)</u>				<u>(15,926)</u>
Net cash used in operating activities					

	The Group for the year ended 30 June 2012 <i>HK\$'000</i> (Audited)	CN Property Group for the year ended 30 June 2012 <i>HK\$'000</i> (Unaudited) (Note 2.9)	Pro forma adjustments <i>HK\$'000</i> (Unaudited)	<i>Notes</i>	Pro forma Remaining Group under Scenario 2 <i>HK\$'000</i> (Unaudited)
Cash flows from investing activities					
Payments for investment properties	(16,094)	16,094			-
Payments for property, plant and equipment	(2,755)	884			(1,871)
Advance to loan receivable	(12,000)				(12,000)
Deposits paid in respect of a proposed acquisition	(23,000)				(23,000)
Proceeds from disposal of investment properties	4,800	(4,800)			-
Net cash inflow/(outflow) arising on disposal of subsidiaries	2,046	680	(28,377)	2.10	(25,651)
Investment in an associate	-		(100,000)	2.11	(100,000)
Dividends received	8	(8)			-
Interest received	391	(12)			379
Net cash used in investing activities	<u>(46,604)</u>				<u>(162,143)</u>
Cash flows from Financing activities					
Proceeds from issue of new shares by way of open offer	38,792				38,792
Share issue expenses	(1,659)				(1,659)
Net cash generated from financing activities	<u>37,133</u>				<u>37,133</u>
Net decrease in cash and cash equivalents	(36,053)				(140,936)
Cash and cash equivalents at the beginning of year	<u>68,900</u>				<u>68,900</u>
Cash and cash equivalents at the end of year	<u><u>32,847</u></u>				<u><u>(72,036)</u></u>

Notes to the unaudited pro forma consolidated statement of cash flows of the Remaining Group under Scenario 2:

- 2.9 The adjustment represents the exclusion of the cash flows of CN Property Group for the year ended 30 June 2012 (as extracted from the unaudited combined statement of cash flows of CN Property Group for the year ended 30 June 2012 as set out in Appendix II to the Circular), as if the Completion and the completion of the First Right Subscription had taken place at the commencement of the period reported on.
- 2.10 The adjustment represents the net cash outflow arising on the Disposal, representing the balance of bank balances and cash of CN Property Group as at 1 July 2011 of approximately HK\$28,377,000 (as extracted from the unaudited combined statement of financial position of CN Property Group as at 30 June 2011 as set out in Appendix II to the Circular), as if the Completion and the completion of the First Right Subscription had been taken place at the commencement of the period reported on.
- 2.11 The adjustment reflects the recognition of additional 15% equity interest in TH Property Holding at the maximum consideration of HK\$100,000,000 for the subscription of the First Right Shares under the First Right Subscription, as if the Completion and the completion of the First Right Subscription had taken place at the date reported on.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 October 2012

The Directors
China Natural Investment Company Limited

Dear Sirs,

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**Introduction**

We report on the unaudited pro forma financial information of China Natural Investment Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and excluding Million Worldwide Investment Limited and its subsidiaries (hereinafter collectively referred to as the "Remaining Group") as set out in Section A entitled "Unaudited Pro Forma Financial Information of the Remaining Group" of Appendix IV (the "Unaudited Pro Forma Financial Information") to the Company's circular dated 30 October 2012 (the "Circular") in connection with the proposed very substantial disposal and proposed very substantial acquisition relating to the disposal of its entire interest in a wholly-owned subsidiary, Million Worldwide Investment Limited, and the acquisition of 25% equity interest in TH Property Holding and the subscription of additional 15% of the issued share capital of TH Property Holding as enlarged by allotment and issue of Consideration Shares (as defined in the Circular) and First Right Shares (as defined in the Circular) (the "Transactions") pursuant to a sale and purchase agreement dated 7 September 2012. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Transactions might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix IV to the Circular.

Respective responsibilities of the directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Remaining Group as at 30 June 2012 or any future date; or
- the results or cash flows of the Remaining Group for the year ended 30 June 2012 or for any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

**APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD
BY TH PROPERTY GROUP AND THE GROUP**

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of inclusion in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 30 June 2012 and 31 August 2012 of the property interests held by China Natural Investment Company Limited (the “Company”) and its subsidiaries (together referred as the “Group”), Town Health International Investments Limited and its subsidiaries.



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Corporate Valuation & Advisory

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Room 1010, 10/F, Star House
Tsimshatsui, Hong Kong

30 October 2012

The Board of Directors
China Natural Investment Company Limited

Unit 1903, 19th Floor,
West Tower, Shun Tak Centre,
Nos. 168-200 Connaught Road Central
Hong Kong

Dear Sirs/Madam,

Re: Valuation of various property interests located in Hong Kong

1. INSTRUCTION

We refer to your instructions for us to value the property interests (the “Properties”) held by **China Natural Investment Company Limited** (the “Company”) and its subsidiaries (together referred as the “Group”), Town Health International Investments Limited and its subsidiaries in Hong Kong, we confirm that we have carried out inspection of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 June 2012 and 31 August 2012 (the “Valuation Dates”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, and clarifies assumptions and limiting conditions of this valuation.

APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD BY TH PROPERTY GROUP AND THE GROUP

2. BASIS OF VALUATION

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

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market values of the Properties are also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

3. PROPERTY INTERESTS CATEGORISATION

The Properties are categorised as follows:

- Group I – Properties held by Town Health International Investments Limited and its subsidiaries for investment in Hong Kong
- Group II – Properties held by the Group for investment in Hong Kong
- Group III – Properties held by Town Health International Investments Limited and its subsidiaries for owner occupation in Hong Kong

4. VALUATION METHODOLOGY

In valuing the Properties, Direct Comparison Method is adopted where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

5. ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the Properties in the market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Properties.

Unless stated as otherwise, we have assumed that the Properties has been constructed, occupied and used in full compliance with, and without contravention of all Ordinances. We have further assumed that, for any use of the Properties upon which this report is based, all required licenses, permit, certificated, and authorizations have been obtained.

No allowance has been made in our valuation for any charges, mortgages or amount owing on any Properties nor for any expense or taxation which may be incurred in effecting a sale. We have assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Other special assumptions of the Properties, if any, have been stated in the footnote of the valuation certificates of the Properties.

6. TITLE INVESTIGATION

We have caused searches to be made at the Land Registries for the Properties located in Hong Kong. However, we have not verified ownership of the Properties or to verify the existence of any amendments which do not appear on the copies handed to us.

7. LIMITING CONDITIONS

We have inspected the exterior and, wherever possible, the interior of the Properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Both area and building completion year are approximate. We have quoted the source of saleable area in the report. However, we accept no liability if the quoted area departed from any other sources. We follow the definition of saleable area under the "Code of Measuring Practice" and the "Supplement to the Code of Measuring Practice" published by the Hong Kong Institute Surveyors in March 1999 and March 2010 respectively. All usual main services are assumed to be available to the Properties.

We have relied to a considerable extent on information provided from the Company and have accepted advice given to us on such matters, in particular, but not limited to, the tenure, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the Properties.

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

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

**APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD
BY TH PROPERTY GROUP AND THE GROUP**

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

8. REMARKS

We have conducted on site inspection of the properties in August 2012 and October 2012 by Mr. Dennis H.P. Wong (BSc) and Mr. Hammer W. H. Chui (BSc).

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005).

We enclose herewith the summary of values and the valuation certificates.

Yours sincerely,
For and on behalf of
RHL Appraisal Limited

Serena S. W. Lau
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)
Managing Director

Lawrence Y. S. Li
MHKIS, RPS(GP), MBA
Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in Hong Kong, Macau, the PRC and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Lawrence Y. S. Li is a Registered Professional Surveyor (GP) with over 18 years' post qualification experience from both private and public sectors. Mr. Li has extensive experience in handling property valuation for properties located in Hong Kong for various purposes including mortgages, accountings and disposals. Besides, he has possessed solid knowledge and faceted experience in land administration, premium assessment and land grant applications with particular experience in negotiation with Government departments.

**APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD
BY TH PROPERTY GROUP AND THE GROUP**

SUMMARY OF VALUES

No.	Property	Market Value in its existing state as at 30 June 2012 HKD	Market Value in its existing state as at 31 August 2012 HKD
Group I – Properties held by Town Health International Investments Limited and its subsidiaries for investment in Hong Kong			
1.	Whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	257,400,000	268,500,000
2.	Shop C2 of Shop C on Ground Floor, Carson Mansion, Nos. 4-6 Dung Fat Street, Nos. 46-50 Lo Tak Court, Nos. 3-5 On Wing Street, Tsuen Wan, New Territories	24,700,000	26,000,000
3.	Shop 9 on Ground Floor, No. 49 Kai Tin Road, Kowloon	30,000,000	31,000,000
4.	Shop no. G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	24,000,000	24,600,000
5.	Shop 37 on Level 1 and Carpark 39 at Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories	15,300,000	15,900,000
6.	Shop 7 on Ground Floor, Tin Po Building, Nos. 94, 96, 98 & 102 Tai Wai Road & Nos. 102-108 Chik Fuk Street, Shatin, New Territories	20,000,000	21,000,000

**APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD
BY TH PROPERTY GROUP AND THE GROUP**

No.	Property	Market Value in its existing state as at 30 June 2012 HKD	Market Value in its existing state as at 31 August 2012 HKD
Group I – Properties held by Town Health International Investments Limited and its subsidiaries for investment in Hong Kong			
7.	Commercial unit 16B on Ground Floor of Commercial & Garage Block, Carado Garden, Nos. 20-30 Tin Sam Street, Shatin, New Territories	8,000,000	8,400,000
8.	Flat E on 5th Floor of Block 3, Wai Wah Centre, Nos. 11-17 Sha Tin Centre Street, Shatin, New Territories	3,150,000	3,250,000
9.	Shop 1D on First Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories	27,800,000	29,200,000
10.	Shop C on the Ground Floor, Carprio Mansion, No. 1 Lai Chi Kok Road, Kowloon	35,700,000	37,000,000
11.	Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	25,000,000	27,000,000
12.	Shop 3 on Ground Floor, Bo Yan Building, No. 1 Horse Shoe Lane, Kowloon	17,500,000	18,000,000

**APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD
BY TH PROPERTY GROUP AND THE GROUP**

No.	Property	Market Value in its existing state as at 30 June 2012 HKD	Market Value in its existing state as at 31 August 2012 HKD
Group I – Properties held by Town Health International Investments Limited and its subsidiaries for investment in Hong Kong			
13.	Shop no. 74, Harmony Garden, No. 9 Siu Sai Wan Road, Hong Kong	6,300,000	6,700,000
14.	Office and ancillary areas on 6th Floor, Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong	63,000,000	65,500,000
15.	Workshop nos. 1 & 2, 12th Floor, Entrepot Centre, No. 117 How Ming Street, Kowloon	13,400,000	13,800,000
	Sub-Total	571,250,000	595,850,000

**APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD
BY TH PROPERTY GROUP AND THE GROUP**

No.	Property	Market Value in its existing state as at 30 June 2012 HKD	Market Value in its existing state as at 31 August 2012 HKD
Group II – Properties held by the Group for investment in Hong Kong			
16.	Shop nos. 53 and 56, 54 and 57 on Ground Floor Commercial Centre, Fullview Garden, No. 18 Siu Sai Wan Road, Hong Kong	15,000,000	16,000,000
17.	Shop no. G12 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	21,000,000	21,800,000
18.	Flat G on 14th Floor, Tai Shan Mansion, Kao Shan Terrace, No.7 Taikoo Shing Road, Taikoo Shing, Hong Kong	6,600,000	6,650,000
19.	Flat A on 12th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon	15,700,000	15,700,000
20.	Flat K on 9th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon	15,500,000	15,500,000
21.	Shop nos. G27 and G28 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	45,300,000	46,500,000

No.	Property	Market Value in its	Market Value in its
		existing state as at 30 June 2012 HKD	existing state as at 31 August 2012 HKD
Group II – Properties held by the Group for investment in Hong Kong			
22.	Public Carpark nos. P101-P150 together with shroff's office on First Floor, Citimark, No. 28 Yuen Shun Circuit, Shatin, New Territories	18,000,000	18,400,000
23.	Shop no. 21 on Ground Floor, Grandway Garden, No. 16 Mei Tin Road and Nos. 15 & 35 Tsuen Nam Road, Shatin, New Territories	52,800,000	58,000,000
		189,900,000	198,550,000
	Sub-Total	189,900,000	198,550,000

No.	Property	Market Value in its existing state as at 30 June 2012 HKD	Market Value in its existing state as at 31 August 2012 HKD
Group III – Properties held by Town Health International Investments Limited and its subsidiaries for owner occupation in Hong Kong			
24.	Workshop 17 and 18 on 4th Floor, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories	8,470,000	9,030,000
25.	Workshop 20 with Lavatories and Flat Roof on 3rd Floor (otherwise known as Upper Ground Floor), Goldfield Industrial Centre, No. 1 Sui Wo Road, Shatin, New Territories	1,930,000	2,000,000
26.	Flat 3 on 25th Floor of Block D, Hilton Plaza, Nos. 3-9 Sha Tin Centre Street, Shatin, New Territories	3,610,000	3,730,000
	Sub-Total	14,010,000	14,760,000
	Grand-Total	775,160,000	809,160,000

VALUATION CERTIFICATE

Group I – Properties held by Town Health International Investments Limited and its subsidiaries for investment in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
1.	Whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	<p>The property comprises a 7-storey industrial building with 5 private carparks and 3 lorry car parks planned on ground floor of reinforced concrete construction completed in 1989.</p> <p>According to the information provided by the Company, the gross floor area is 103,900 square feet or thereabouts.</p> <p>According to the measurement from floor plan provided by the Company, the total saleable area is 66,580 square feet or thereabouts with a flat roof area of 2,065 or thereabouts and 1,950 square feet or thereabouts on first floor and third floor respectively.</p> <p>The property is held under New Grant no. 12163 commencing on 24 June 1898 to 30 June 2047.</p>	<p>Portion of the property with a total tenancy area of 27,402 square feet or thereabouts is leased to various parties with a total monthly rent of HKD427,848 for the latest term expired on 31 October 2012.</p> <p>As further advised by the Company, portion of the property with a total tenancy area of 45,478 square feet or thereabouts is leased to the related parties with a total monthly rent of HKD591,230 on monthly basis.</p>	<p>30 June 2012</p> <p>257,400,000</p> <p>Hong Kong Dollars Two Hundred and Fifty Seven Million Four Hundred Thousand Only</p> <p>31 August 2012</p> <p>268,500,000</p> <p>Hong Kong Dollars Two Hundred and Sixty Eight Million Five Hundred Thousand Only</p>

Notes:

1. The registered owner of the property is Profit Sources Limited via an assignment dated 30 April 2009 vide memorial no. 09052901930254 for a consideration of HKD121,000,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NT177/89 vide memorial no. ST494945 dated 25 August 1989.
 - ii. Certificate of Compliance vide memorial no. ST494946 dated 6 October 1989.
 - iii. Mortgage in favour Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities vide memorial no. 09121502290116 dated 16 November 2009.
 - iv. Assignment of Rentals in favour of Dah Sing Bank Limited vides memorial no. 09121502290129 dated 16 November 2009.

3. According to thirteen Tenancy Agreements and supplementary information provide by the Company, portion of the property with a total tenancy area of approximately 27,402 square feet are leased with total monthly rent of HKD 427,848 as the follows:

No.	Unit	Tenancy Area (sq.ft.) (approx.)	Tenant	Lease Term	Monthly Rent
1	215, 217 and 219	1,366	e-Perfect IT Limited	1 January 2011 to 31 December 2012	HKD17,758 inclusive of rates, government rent and utility charges but exclusive of management fee, special management fee and all tenant's expenses and outgoings of a non-capital and recurring nature.
2	301	1,463	EPRO E-Commerce Limited	1 April 2011 to 31 March 2013	HKD37,530 inclusive of rates, government rent, management fee, air-conditioning charges, water, electricity and other similar charges.
3	302A	480	Fan Kwok Chung	10 February 2012 to 9 February 2014	HKD6,240 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.
4	302B	1,051	Well Caption Limited	16 February 2012 to 15 February 2014	HKD13,663 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.
5	302C	169	Full Kin Property Consultancy Limited	16 February 2012 to 15 February 2014	HKD2,197 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.
6	30% share of 302F, 304A and 304A1	750	Island Best Developments Limited	1 June 2012 to 31 May 2014	HKD12,337 inclusive of rates, government rent, and utility charges but exclusive of management fees, common facilities charge and all tenant's expenses and outgoings of a non-capital and recurring nature.
7	304C	179	Leroy Jewelry Limited	1 June 2012 to 31 May 2014	HKD2,327 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.
8	318	2,981	e-Perfect IT Limited	1 August 2011 to 31 July 2013	HKD74,420 inclusive of rates, government rent, management fee, air-conditioning charges, water, electricity and other similar charges.
9	401, 403, 405, 407 & 404, 406, 408,	6,766	Hong Kong Health Check and Medical Diagnostic Centre Limited	1 June 2012 to 31 May 2014	HKD87,958 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.
10	402 and 402C	1,891	Hong Kong Gogreen Management Limited	1 January 2012 to 31 December 2013	HKD24,583 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.
11	Half Portion of 210 and 212, 402A, 402B, 410, 412, 414, 416, 418, 415, 417, 419, 501, 503, 505 and 507	8,859	Hong Kong Health Check and Medical Diagnostic Centre Limited	1 December 2011 to 30 November 2013	HKD115,167 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.
12	515	791	Hanergy Hi-Tech Power (HK) Limited	1 November 2010 to 31 October 2012	HKD25,140 inclusive of rates, government rent, management fee, air-conditioning charges, water, electricity and other similar charges.
13	517	656	Atlantic Holdings Limited	1 February 2012 to 31 January 2014	HKD8,528 inclusive of rates, government rent and other charges in respect of water, gas, electric light, power and telephones but exclusive of management fee, common facilities charge and all the tenant's expenses and outgoings of a non-capital and recurring nature.

4. The property falls within an area zoned "Industrial" under Approved Sha Tin Outline Zone Plan No. S/ST/26.
5. As advised by the Company, Profit Sources Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
2.	Shop C2 of Shop C on Ground Floor, Carson Mansion, Nos. 4-6 Dung Fat Street, Nos. 46-50 Lo Tak Court, Nos. 3-5 On Wing Street, Tsuen Wan, New Territories	The property comprises a retail unit on ground floor of a 22-storey composite building of reinforced concrete construction completed in 1974. According to the measurement from assignment plan, the saleable area is 169 square feet or thereabouts. The property is held under New Grant no. 4972 commencing from 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.	The property is leased for a term of 2 years commencing on 1 February 2012 and expiring on 31 January 2014 in a monthly rent of HKD75,000 exclusive of management fees, rates and other expenses.	30 June 2012 24,700,000 Hong Kong Dollars Twenty Four Million and Seven Hundred Thousand Only 31 August 2012 26,000,000 Hong Kong Dollars Twenty Six Million Only

Notes:

1. The registered owner of the property is Billion Advance Limited via an assignment dated 1 August 2005 vide memorial no. 05083001230016 for a consideration of HKD11,900,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit vide memorial no. TW115177 dated 30 July 1974.
 - ii. Deed of Mutual Covenant vide memorial no. TW116129 dated 9 September 1974.
 - iii. Copy Certificate of Compliance vide memorial no. TW343615 dated 15 August 1974.
 - iv. Sub-Deed of Mutual Covenant with Plan vide memorial no. TW1139366 dated 16 April 1997.
 - v. Order No. UBF/28-130/0038/06 by the Building Authority under S.24(1) of the Buildings Ordinance vide memorial no. 09032600780485 dated 10 November 2008. (Re: Common Part(s) only).
 - vi. Superseding Order No. UBF/28-130/0041/06 under S.24(1) of the Buildings Ordinance vide memorial no. 11061701340053 dated 30 May 2011. (Re: Common Part(s) only).

3. According to a Tenancy Agreement dated 9 March 2012 entered into between Billion Advance Limited and Advance Bond Limited, the property is leased to Advance Bond Limited for medical centre use for a term of 2 years commencing on 1 February 2012 and expiring on 31 January 2014 in a monthly rent of HKD75,000 exclusive of management fees, rates and other expenses.
4. The property falls within an area zoned "Residential (Group A)" under Draft Tsuen Wan Outline Zone Plan No. S/TW/29.
5. In our valuation, we have not taken into account the effect of the Order under the Buildings Ordinance by the Building Authority and its effect on the value of subject property is not reflected on our valuation.
6. As advised by the Company, Billion Advance Limited is an indirect 70%-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
3.	Shop 9 on Ground Floor, No. 49 Kai Tin Road, Kowloon	The property comprises a shop unit on ground floor of a commercial podium completed in 1998.	The property is leased for a term of 2 years commencing on 1 July 2011 and expiring on 30 June 2013 in a monthly rent of HKD77,000 exclusive of management fee, government rent and rates.	30 June 2012 30,000,000
	200/12975th Shares of The Remaining Portion of New Kowloon Inland Lot No. 5244	According to the measurement from the registered assignment plan, the saleable area is 200 square feet or thereabouts. The property is held under Conditions of Sale No. UB10874 for a term of 99 years commencing on 1 July 1898. In our valuation, we take into account that such leases are extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		Hong Kong Dollars Thirty Million Only 31 August 2012 31,000,000 Hong Kong Dollars Thirty One Million Only

Notes:

1. The registered owner of the property is Bright Dignity Limited via an assignment dated 15 July 2009 vide memorial no. 09081101360573 for a consideration of HKD15,800,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NK25/98 vide memorial no. UB7559778 dated 28 August 1998.
 - ii. Deed of Mutual Covenant with plans vide memorial no. UB7593972 dated 29 September 1998.
 - iii. Deed Poll with Plans vide memorial no. UB7921635 dated 29 October 1999.
 - iv. Mortgage in favour of Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities vide memorial no. 09121502290133 dated 16 November 2009.
 - v. Assignment of Rentals in favour of Dah Sing Bank Limited vides memorial no. 09121502290143 dated 16 November 2009.
3. According to a Letter of Extension dated 20 June 2011 in relation to a Tenancy Agreement dated 15 June 2007 entered into between Bright Dignity Limited and Jadeast Limited, the property is leased to Jadeast Limited for operating as retail and clinic purposes for a term of two years commencing on 1 July 2011 and expiring on 30 June 2013 with rent of HKD77,000 per month exclusive of management fee, government rent and rates.
4. The property falls within an area zoned "Residential (Group A)" under Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/17.
5. As advised by the Company, Bright Dignity Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
4.	Shop no. G29 on Ground Floor, Commercial Podium, Sincere House, No 83 Argyle Street, Kowloon 145/14926 of 51/ 289th shares of and in Kowloon Inland Lot No. 8241.	The property comprises a retail unit on ground floor of a 17-storey composite building of reinforced concrete construction completed in about 1963. According to the developer's sale brochure, the gross floor area is 219 square feet or thereabouts. According to the measurement from assignment plan, the saleable area is 121 square feet or thereabouts. The property is held under Conditions of Exchange No. 7073 for a term of 75 years renewable for 75 years commencing from 6 April 1923. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.	The property is leased for a term of 3 years commencing on 8 April 2010 and expiring on 7 April 2013 in a monthly rent of HKD67,000 inclusive of management fees, government rent, rates but exclusive of electricity charges and other expenses.	30 June 2012 24,000,000 Hong Kong Dollars Twenty Four Million Only 31 August 2012 24,600,000 Hong Kong Dollars Twenty Four Million and Six Hundred Thousand Only

Notes:

1. The registered owner of the property is Bright Dignity Limited via an assignment dated 18 May 2010 vide memorial no. 10061702800070 for a consideration of HKD15,900,000.00.
2. The property is subject to the followings:
 - i. Deed of Mutual Covenant vide memorial no. UB411017 dated 21 August 1963.
 - ii. Sub-Deed of Mutual Covenant and Management Agreement vide memorial no. UB6333712 dated 30 May 1995.
 - iii. Order No. C/TF/006772/07/K by the Building Authority under S.24 (1) of the Buildings Ordinance vides memorial no. 07121402140073 dated 9 November 2007.
 - iv. Mortgage in favour of Wing Lung Bank Limited for a consideration of all moneys (PT.) vide memorial no. 10041900830026 dated 31 March 2010. Partial Release vides memorial no. 10062503060149 dated 18 May 2010.
 - v. Assignment of Rentals in favour of Wing Lung Bank Limited vides memorial no. 10041900830037 dated 31 March 2010. Partial Release of Assignment of Rentals vides memorial no. 10062503060130 dated 18 May 2010.

3. According to a Tenancy Agreement dated 30 March 2010 entered into between Pat City Limited and 無限領域, the property is leased to 無限領域 for a term of 3 years commencing on 8 April 2010 and expiring on 7 April 2013 in a monthly rent of HKD67,000 inclusive of management fees, government rent, rates but exclusive of electricity charges and other expenses.
4. The property falls within an area zoned “Residential (Group A)” under Draft Mong Kok Outline Zone Plan No. S/K3/29.
5. As advised by the Company, Bright Dignity Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
5.	Shop 37 on Level 1 and Carpark 39 at Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories	The property comprises a retail unit on Level 1 floor and a carparking space on Level 2 of a 2-storey commercial/carparking development of reinforced concrete construction completed in 1984. According to the assignment plan, the saleable area is 530 square feet or thereabouts.	Portion of shop 37 is leased for a term of 2 years commencing on 1 October 2011 and expiring on 30 September 2013 in a monthly rent of HKD34,000 inclusive of management fees, rates and government rent.	30 June 2012 15,300,000 Hong Kong Dollars Fifteen Million and Three Hundred Thousand Only
	74 of 45500th shares of and in Sha Tin Town Lot No. 202	The property is held under New Grant No. 11773 for a term of 99 years commencing from 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.	The remained portion of Shop 37 is leased for a term of 1 year commencing on 7 December 2011 and expiring on 6 December 2012 in a monthly rent of HKD27,500 inclusive of management fees and rates. Carpark 39 is leased to Ip Wai Ming for a term of 2 years commencing on 1 May 2011 and expiring on 30 April 2013 in a monthly rent of HKD800 inclusive of management fees and rates.	31 August 2012 15,900,000 Hong Kong Dollars Fifteen Million and Nine Hundred Thousand Only

Notes:

1. The registered owner of the property is Bright Dignity Limited via an assignment dated 7 December 2010 vide memorial no. 11071801790048 (re-registration of assignment vide memorial no. 11010402480155) for a part of consideration of HKD7,168,169.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NT 132/84 vide memorial no. ST263720 dated 28 September 1984.
 - ii. Certificate of Compliance vide memorial no. ST263721 dated 15 October 1984.
 - iii. Deed of Mutual Covenant and Management Agreement vide memorial no. ST264157 dated 18 October 1984.

- iv. Mortgage in favour of Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities (PT.) vide memorial no. 11010402480165 dated 7 December 2010.
3. According to a Tenancy Agreement dated 18 October 2011 entered into between Bright Dignity Limited and Yeung Cho Fai, portion of Shop 37 is leased to Yeung Cho Fai for a term of 2 years commencing on 1 October 2011 and expiring on 30 September 2013 in a monthly rent of HKD34,000 inclusive of management fees, rates and government rent.
4. According to a Tenancy Agreement dated 1 December 2011 entered into between Bright Dignity Limited and Town Health Medical & Dental Service Limited, remained portion of Shop 37 is leased to Town Health Medical & Dental Service Limited for a term of 1 year commencing on 7 December 2011 and expiring on 6 December 2012 in a monthly rent of HKD27,500 inclusive of management fees and rates.
5. According to a Tenancy Agreement dated 26 April 2011 entered into between Bright Dignity Limited and Ip Wai Ming, Carpark 39 is leased to Ip Wai Ming for a term of 2 years commencing on 1 May 2011 and expiring on 30 April 2013 in a monthly rent of HKD800 inclusive of management fees and rates.
6. The property falls within an area zoned "Residential (Group A)" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
7. As advised by the Company, Bright Dignity Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
6.	Shop 7 on Ground Floor, Tin Po Building, Nos. 94, 96, 98 & 102 Tai Wai Road & Nos. 102-108 Chik Fuk Street, Shatin, New Territories	The property comprises a retail unit on ground floor of a 6-storey tenement building of reinforced concrete construction completed in about 1974. According to the measurement from assignment plan, the saleable area is 296 square feet or thereabouts.	The property is leased for a term of 2 years commencing on 1 April 2012 and expiring on 31 March 2014 in a monthly rent of HKD68,750 exclusive of management fees and rates.	30 June 2012 20,000,000 Hong Kong Dollars Twenty Million Only
	12 of 355th shares of and in D.D. 180 Lot No. 942	The property is held under New Grant No. 10664 for a term of 99 years commencing from 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		31 August 2012 21,000,000 Hong Kong Dollars Twenty One Million Only

Notes:

1. The registered owner of the property is Oriental Elite Limited via an assignment dated 18 February 1997 vide memorial no. ST932440 for a consideration of HKD5,350,000.00.
2. The property is subject to the followings:
 - i. Deed of Mutual Covenant vide memorial no. ST177608 dated 14 October 1974.
 - ii. Mortgage in favour of Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities vide memorial no. 09121502290095 dated 16 November 2009.
 - iii. Assignment of Rentals in favour of Dah Sing Bank Limited vides memorial no. 09121502290104 dated 16 November 2009.
3. According to a Tenancy Agreement dated 16 March 2012 entered into between Oriental Elite Limited and Town Health Medical & Dental Service Limited, the property is leased to Town Health Medical & Dental Service Limited for medical centre use for a term of 2 years commencing on 1 April 2012 and expiring on 31 March 2014 in a monthly rent of HKD68,750 exclusive of management fees and rates.
4. The property falls within an area zoned "Residential (Group A)" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
5. As advised by the Company, Oriental Elite Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
7.	Commercial unit 16B on Ground Floor of Commercial & Garage Block, Carado Garden, Nos. 20-30 Tin Sam Street, Shatin, New Territories	The property comprises a retail unit on ground floor of a 3-storey commercial/carparking development of reinforced concrete construction completed in about 1989. According to the measurement from assignment plan, the saleable area is 273 square feet or thereabouts.	The property is leased for a term of 2 years commencing on 1 January 2012 and expiring on 31 December 2013 in a monthly rent of HKD26,300 inclusive of management fees, government rent and rates.	30 June 2012 8,000,000 Hong Kong Dollars Eight Million Only
	100/220 of 220/ 104875th shares of and in Sha Tin Town Lot No. 313	The property is held under New Grant No. 12175 for a term commencing from 23 October 1987 and expiring on 30 June 2047.		31 August 2012 8,400,000 Hong Kong Dollars Eight Million and Four Hundred Thousand Only

Notes:

1. The registered owner of the property is Pherson Limited via an assignment dated 31 March 1990 vide memorial no. ST678406 for a consideration of HKD2,920,000.00.
2. The property is subject to the followings:
 - i. Deed Poll with Plan vide memorial no. ST1257795 dated 18 December 2001.
 - ii. Sub-Deed of Mutual Covenant with Plan vide memorial no. ST1259354 dated 18 December 2001.
3. According to a Tenancy Agreement dated 31 December 2011 entered into between Pherson Limited and Chow Tsz Keung, the property is leased to Chow Tsz Keung for a term of 2 years commencing on 1 January 2012 and expiring on 31 December 2013 in a monthly rent of HKD26,300 inclusive of management fees, government rent and rates.
4. The property falls within an area zoned "Residential (Group A)" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
5. As advised by the Company, Pherson Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
8.	Flat E on 5th Floor of Block 3, Wai Wah Centre, Nos. 11-17 Sha Tin Centre Street, Shatin, New Territories	The property comprises a residential unit on 5th floor of a 26-storey residential building over 3- storey commercial/carparking development of reinforced concrete construction completed in 1986.	The property is vacant as at the Valuation Date.	30 June 2012 3,150,000
	100/110000th shares of and in Sha Tin Town Lot No. 159	According to the developer's sale brochure, the gross floor area is 483 square feet or thereabouts. According to the measurement from assignment plan, the saleable area is 354 square feet or thereabouts plus a bay window of 13 square feet or thereabouts.		Hong Kong Dollars Three Million One Hundred and Fifty Thousand Only 31 August 2012 3,250,000
		The property is held under New Grant No. 11603 for a term of 99 years commencing from 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		Hong Kong Dollars Three Million Two Hundred and Fifty Thousand Only

Notes:

1. The registered owner of the property is Pherson Limited via an assignment dated 22 March 2005 vide memorial no. 05042002650034 for a consideration of HKD1,550,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NT 61/86 vide memorial no. ST339885 dated 10 June 1986.
 - ii. Certificate of Compliance vide memorial no. ST339886 dated 24 July 1986.
 - iii. Deed of Mutual Covenant and Management Agreement vide memorial no. ST339888 dated 15 August 1986. (Remarks: Re-registered vide memorial no. ST360370)
3. The property falls within an area zoned "Residential (Group A)" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
4. As advised by the Company, Pherson Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
9.	Shop 1D on First Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories	The property comprises a retail unit on first floor of a 23-storey composite building of reinforced concrete construction completed in about 1978.	The property is vacant as at the Valuation Date.	30 June 2012 27,800,000
	68/9700th shares of and in Tsuen Wan Town Lot No. 233	According to the measurement from assignment plan, the saleable area is 175 square feet or thereabouts. The property is held under New Grant No. TW5277 for a term of 99 years commencing from 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		Hong Kong Dollars Twenty Seven Million and Eight Hundred Thousand Only 31 August 2012 29,200,000 Hong Kong Dollars Twenty Nine Million and Two Hundred Thousand Only

Notes:

1. The registered owner of the property is Pherson Limited via an assignment dated 7 December 2010 vide memorial no. 11071801790054 (Re-registration of Assignment memorial no. 11010402480136) for a consideration of HKD19,100,000.
2. The property is subject to the followings:
 - i. Deed of Mutual Covenant vide memorial no. TW156008 dated 7 March 1978.
 - ii. Sub-Deed of Mutual Covenant with Plan vide memorial no. TW1152448 dated 27 June 1977. (Remarks: Re-registered vide memorial no. TW1461853).
 - iii. Mortgage in favour of Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities vide memorial no. 11010402480145 dated 7 December 2010.
3. The property falls within an area zoned "Commercial" under Draft Tsuen Wan Outline Zone Plan No. S/TW/29.
4. As advised by the Company, Pherson Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
10.	Shop C on the Ground Floor, Carprio Mansion, No.1 Lai Chi Kok Road, Kowloon	The property comprises a shop unit on ground floor of a composite building completed in 1979.	The property had been leased for a term of 1 year commencing on 1 July 2011 and expired on 30 June 2012	30 June 2012 35,700,000
	5/170th Shares of The Remaining Portion of Kowloon Inland Lot No. 6335	According to the developer's sale brochure, the gross floor area of the property is 324 sq. ft. or thereabouts. According to the measurement from the registered assignment plan vide memorial no. UB81856541, the saleable area is 230 sq. ft. or thereabouts. The property is held under Conditions of Exchange No.4787 for a term of 75 years renewable for 75 years commencing on 25th June 1952.	in a monthly rent of HKD108,000 and is further leased for a term of 2 years commencing on 1 July 2012 and expiring on 30 June 2014 in a monthly rent of HKD118,800 both exclusive of rates, government rent, management fees, air-conditioning charges and all other expenses.	Hong Kong Dollars Thirty Five Million and Seven Hundred Thousand Only 31 August 2012 37,000,000 Hong Kong Dollars Thirty Seven Million Only

Notes:

1. The registered owner of the property is Pherson Limited via an assignment dated 7 December 2010 vide memorial no. 11071801790061 re-registration of assignment memorial no. 11010402480100 for a consideration of HKD25,000,000.00.
2. The property is subject to the followings:
 - i. Deed of Mutual Covenant vide memorial no. UB1821510 dated 3 January 1980.
 - ii. Deed Poll with plans vide memorial no. UB7921635 dated 29 October 1999.
 - iii. Mortgage in favour of Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities vide memorial no. 09121502290133 dated 16 November 2009.
 - iv. Assignment of Rentals in favour of Dah Sing Bank Limited vide memorial no. 09121502290143 dated 16 November 2009.

3. According to a Tenancy Agreement dated 26 September 2011 entered into between Pherson Limited and Cheng Siu Chun, the property had been leased to Cheng Siu Chun for operating as a shop for general retail of Chinese herbal medicine, ginseng, health food and household products for a term of 1 year commencing on 1 July 2011 and expired on 30 June 2012 with rent of HKD108,000 per month exclusive of rates, government rent, management fee, air-conditioning charges and all other expenses.
4. According to a Tenancy Agreement dated 7 August 2012 entered into between Pherson Limited and Cheng Siu Chun, the property is leased to Cheng Siu Chun for operating as a shop for general retail of Chinese herbal medicine, ginseng, health food and household products for a term of 2 years commencing on 1 July 2012 and expiring on 30 June 2014 with rent of HKD118,800 per month exclusive of rates, government rent, management fees, air-conditioning charges and all other expenses.
5. The property falls within an area zoned “Commercial” under Draft Mong Kok Outline Zoning Plan No. S/K3/29.
6. As advised by the Company, Pherson Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
11.	Ground Floor, Ultragrace Commercial Building, No.5 Jordan Road, Kowloon	The property comprises a retail unit on ground floor of a 17-storey commercial development of reinforced concrete construction completed in 1992.	The property is leased for a term of 2 years commencing on 1 December 2011 and expiring on 30 November 2013 in a monthly rent of HKD85,050 exclusive of rates, government rent, management fee, air-conditioning charges and all other expenses.	30 June 2012 25,000,000 Hong Kong Dollars Twenty Five Million Only
	1703/10200th shares of and in Section A of Kowloon Inland Lot No. 1300	According to the measurement from the registered assignment plan, the saleable area of the property is 989 square feet or thereabouts.	The property is held under Government Lease for a term of 75 years renewable for 75 years commencing on 14 September 1914.	31 August 2012 27,000,000 Hong Kong Dollars Twenty Seven Million Only

Notes:

1. The registered owner of the property is Town Health Food And Beverage Culture Company Limited via an assignment dated 30 July 2009 vide memorial no. 09082801840024 for a consideration of HKD18,000,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. K17/92 vide memorial no. UB5240974 dated 7 April 1992.
 - ii. Deed of Mutual Covenant and Management Agreement vide memorial no. UB5279391 dated 24 April 1992.
 - iii. Mortgage in favour of Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities vide memorial no. 09121502290031 dated 16 November 2009.
 - iv. Assignment of Rentals in favour of Dah Sing Bank Limited vides memorial no. 09121502290043 dated 16 November 2009.
3. According to a Tenancy Agreement dated 1 December 2011 entered into between First Billion Investment Limited and Polylight Technology Limited, the property is leased to Polylight Technology Limited for operating as a shop for medical diagnostic centre for a term of two years commencing on 1 December 2011 and expiring on 30 November 2013 at a monthly rent of HKD85,050 exclusive of rates, government rent, management fee, air-conditioning charges and all other expenses.
4. The property falls within an area zoned "Commercial" under Draft Yau Ma Tei Outline Zoning Plan No. S/K2/21.

5. According to a Certificate of Change of Name dated 5 May 2011 and registered in the Companies Registry, Town Health Food And Beverage Culture Company Limited changed its name to First Billion Investment Limited on 5 May 2011.
6. As advised by the Company, First Billion Investment Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
12.	Shop 3 on Ground Floor, Bo Yan Building, No.1 Horse Shoe Lane, Kowloon	The property comprises a retail unit on ground floor of a high-rise composite building of reinforced concrete construction completed in about 1991.	The property is leased for a term of 2 years commencing on 20 June 2012 and expiring on 19 June 2014 in a monthly rent of HKD73,800 exclusive of rates and management fees but inclusive of government rent.	30 June 2012 17,500,000 Hong Kong Dollars Seventeen Million and Five Hundred Thousand Only
	57/4200th shares of and in Kun Tong Inland Lot No. 119	According to the measurement from the registered assignment plan, the saleable area of the property is 370 square feet or thereabouts.		
		The property is held under Government Lease for a term of 21 years renewable for 21 years commencing on 1 July 1955. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		31 August 2012 18,000,000 Hong Kong Dollars Eighteen Million Only

Notes:

1. The registered owner of the property is Town Health Food And Beverage Culture Company Limited via an assignment dated 13 August 2009 vide memorial no. 09091602090027 for a consideration of HKD12,300,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NK26/91 vide memorial no. UB4924660 dated 18 July 1991.
 - ii. Deed of Mutual Covenant vide memorial no. UB4947356 dated 22 August 1991.
 - iii. Mortgage in favour of Dah Sing Bank Limited to secure all sums of money in respect of general banking facilities vide memorial no. 09121502290057 dated 16 November 1999.
 - iv. Assignment of Rentals in favour of Dah Sing Bank Limited vides memorial no. 09121502290064 dated 16 November 2009.
 - v. Superseding Order No. UBZ/U02-23/0021/07 by the Building Authority under S. 24(1) of Buildings Ordinance vides memorial no. 10122400930103 dated 30 November 2010.
3. In our valuation, we have not taken into account the effect of the said Superseding Order under the Buildings Ordinance by the Building Authority and its effect on the value of subject property is not reflected on our valuation.

4. According to a Tenancy Agreement dated 23 August 2012 entered into between First Billion Investment Limited and Luck Art Limited, the property is leased to Luck Art Limited for non-domestic purpose for operating as a beautician outlet/salon retail shop, service centre shop for a term of 2 years commencing on 20 June 2012 and expiring on 19 June 2014 at a monthly rent of HKD73,800 exclusive of rates and management fees but inclusive of government rent.
5. The property falls within an area zoned "Residential (Group A)" under Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/17.
6. According to a Certificate of Change of Name dated 5 May 2011 and registered in the Companies Registry, Town Health Food And Beverage Culture Company Limited changed its name to First Billion Investment Limited on 5 May 2011.
7. As advised by the Company, First Billion Investment Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
13.	Shop no.74, Harmony Garden, No. 9 Siu Sai Wan Road, Hong Kong	The property comprises a retail unit on ground floor of a commercial podium of Harmony Garden of reinforced concrete construction completed in about 1997.	The property is leased for a term of 2 years commencing on 19 April 2012 and expiring on 18 April 2014 in a monthly rent of HKD25,000 exclusive of rates and management fee.	30 June 2012 6,300,000 Hong Kong Dollars Six Million and Three Hundred Thousand Only
	47/130260th shares of and in Chai Wan Inland Lot No. 154	According to the measurement from the registered assignment plan, the saleable area is 274 square feet or thereabouts.	The property is held under Condition of Sale No. 12356 for a term from 13 March 1995 to 30 June 2047.	31 August 2012 6,700,000 Hong Kong Dollars Six Million and Seven Hundred Thousand Only

Notes:

1. The registered owner of the property is Town Health Food And Beverage Culture Company Limited via an assignment dated 26 April 2010 vide memorial no. 10052402950061 for a consideration of HKD6,500,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit vide memorial no. UB6997694 dated 24 March 1997.
 - ii. Certificate of Compliance vide memorial no. UB7062898 dated 6 May 1997.
 - iii. Deed of Mutual Covenant with plans vide memorial no. UB7102485 dated 13 May 1997.
 - iv. Sub-Deed of Mutual Covenant with plan vide memorial no. UB7220294 dated 29 July 1997.
3. According to a Tenancy Agreement dated 16 April 2012 entered into between First Billion Investment Limited and Town Health Dental Limited, the property is leased to Town Health Dental Limited for operating as a clinic business for a term of 2 years commencing on 19 April 2012 and expiring on 18 April 2014 at a monthly rent of HKD25,000 exclusive of rates and management fee.
4. The property falls within an area zoned "Residential (Group A)" under Draft Chai Wan Outline Zoning Plan No. S/H20/20.

5. According to a Certificate of Change of Name dated 5 May 2011 and registered in the Companies Registry, Town Health Food And Beverage Culture Company Limited changed its name to First Billion Investment Limited on 5 May 2011.
6. As advised by the Company, First Billion Investment Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
14.	Office and Ancillary Areas on 6th Floor, Silver Fortune Plaza, No.1 Wellington Street, Hong Kong	The property comprises an office unit on 6th floor of a high-rise commercial building of reinforced concrete construction completed in 1992.	The property is leased for a term of 3 years commencing on 1 September 2010 and expiring on 31 August 2013 in a monthly rent of HKD123,116 exclusive of management fee, rates, air-conditioning charges and other outgoings.	30 June 2012 63,000,000 Hong Kong Dollars Sixty Three Million Only
	3828/142919th shares of and in Sections A, B, C, D, G and J of Inland Lot No. 80	According to the measurement from the registered assignment plan, the saleable area is 3,210 square feet or thereabouts. The property is held under Government Lease for a term of 999 years commencing on 26 June 1843.		31 August 2012 65,500,000 Hong Kong Dollars Sixty Five Million and Five Hundred Thousand Only

Notes:

1. The registered owner of the property is Perfect Elite Investments Limited via an assignment dated 31 January 2011 vide memorial no. 11021700770032 for a consideration of HKD54,522,800.00.
2. The property is subject to the followings:
 - i. Deed of Mutual Covenant vide memorial no. UB5780040 dated 26 August 1993. (Remarks: Re-registered see memorial no. 5993389)
 - ii. Supplemental Deed to Deed of Mutual Covenant with plan vide memorial no. UB6380069 dated 15 August 1995. (Remarks: Of memorial no. 5780040 Re-registered by memorial no. 5993389)
 - iii. Memorandum of Change of Name of Building vide memorial no. UB6454442 dated 14 November 1995.
3. According to a Tenancy Agreement dated 25 August 2010 entered into between Asian Land International Limited and Global Beauty International (HK) Limited, the property is leased to Global Beauty International (HK) Limited trading as Marie France bodyline for operating as office use for a term of 3 years commencing on 1 September 2010 and expiring on 31 August 2013 in a monthly rent of HKD123,116 exclusive of management fee, rates, air-conditioning charges and other outgoings.
4. The property falls within an area zoned "Commercial" under Draft Central District Outline Zoning Plan No. S/H4/13.
5. As advised by the Company, Perfect Elite Investments Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
15.	Workshop nos. 1 and 2, 12th Floor, Entrepot Centre, No. 117 How Ming Street, Kowloon	The property comprises two workshop units on 12th floor of a high-rise industrial building of reinforced concrete construction completed in about 1994.	The property is leased for a term commencing on 16 June 2012 and expiring on 30 September 2012 in a total rent of HKD128,845.50 exclusive of management fees, water and electricity charges, rates, government rent and all other expenses.	30 June 2012 13,400,000 Hong Kong Dollars Thirteen Million and Four Hundred Thousand Only
	24/1435th shares of and in Kun Tong Inland Lot No. 5	According to the measurement from the registered assignment plans, the total saleable area of the property is 1,194 square feet or thereabouts. The property is held under Government Lease for a term of 21 years renewable for 21 years commencing on 1 July 1955. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		31 August 2012 13,800,000 Hong Kong Dollars Thirteen Million and Eight Hundred Thousand Only

Notes:

1. The registered owner of the property is Town Health Professional Training Centre Limited via an assignment dated 15 June 2012 vide memorial no. 12070600760189 for a consideration of HKD12,446,300.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NK26/94 vide memorial no. UB6102563 dated 8 August 1994.
 - ii. Deed of Mutual Covenant and Management Agreement vide memorial no. UB6122788 dated 31 August 1994.
3. According to a Tenancy Agreement entered into between Town Health Professional Training Centre Limited and Wing Shing Building Construction Limited, the property is leased to Wing Shing Building Construction Limited for industrial use for a term commencing on 16 June 2012 and expiring on 30 September 2012 in a total rent of HKD128,845.50 exclusive of management fees, water and electricity charges, rates, government rent and all other expenses.
4. The property falls within an area zoned "Other Specified Uses (Business)" under Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/17.
5. As advised by the Company, Town Health Professional Training Centre Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

Group II – Properties held by the Group for investment in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
16.	Shop nos. 53 and 56, 54 and 57 on Ground Floor, Commercial Centre, Fullview Garden, No.18 Siu Sai Wan Road, Hong Kong	The property comprises four retail units on ground floor of a commercial development of reinforced concrete construction completed in 1993.	Shop nos. 53 and 56 are leased for a term commencing on 11 May 2012 and expiring on 31 October 2012 in a monthly rent of HKD28,000 exclusive of management charges and rates but inclusive of government rent.	30 June 2012 15,000,000 Hong Kong Dollars Fifteen Million Only
	119/168397th shares of and in Chai Wan Inland Lot No. 146	According to the measurement from the registered assignment plan, the total saleable area is approximately of 345 sq. ft.		31 August 2012
		The property is held under Conditions of Sale No. UB12126 commencing from 15 January 1991 until 30 June 2047.	Shop nos. 54 and 57 had been leased for a term commencing on 5 July 2010 and expired on 4 July 2012 in a monthly rent of HKD29,300 and are further leased for a term commencing on 28 July 2012 and expiring on 27 July 2014 in a monthly rent of 35,000 inclusive of management fee, rates and government rent.	16,000,000 Hong Kong Dollars Sixteen Million Only

Notes:

1. The registered owner of the property is China Universal Limited via an assignment dated 22 October 2009 vide memorial no. 09112003080044 for the acquisition of shop nos. 4, 53 and 56, 54 and 57, at an aggregate consideration of HKD17,200,000.00 (PT.).
2. The property is subject to the followings:
 - i. Occupation Permit no. H5/93 vide memorial no. UB5543147 dated 12 January 1993.
 - ii. Deed of Mutual Covenant vide memorial no. UB5599042 dated 25 March 1993.
 - iii. Sub-Deed of Mutual Covenant with plans vide memorial no. UB5611902 dated 29 March 1993.
3. According to a Tenancy Agreement dated 26 July 2010 entered into between China Universal Limited and Li Wai Ling, Shop Nos. 54 and 57 had been leased to Li Wai Ling for operating as commercial use for a term commencing on 5 July 2010 and expired on 4 July 2012 at a monthly rent of HKD29,300 inclusive of management fee, rates and government rent.

4. According to a Tenancy Agreement dated 27 July 2012 entered into between China Universal Limited and Huang, Saihua, Shop Nos. 54 and 57 are leased to Huang, Saihua for operating as a shop for general retail of home necessities for a term commencing on 28 July 2012 and expiring on 27 July 2014 at a monthly rent of HKD35,000 inclusive of management fee, rates and government rent.
5. According to a Letter of Extension dated 5 May 2012 in relation to a Tenancy Agreement dated 26 July 2010 entered into between China Universal Limited and Wong Siu Kwong and Chau Wai Fan trading as Fu King Colour Photo Centre, Shop Nos. 53 and 56 are leased to Wong Siu Kwong and Chau Wai Fan for commercial use for a term commencing on 11 May 2012 and expiring on 31 October 2012 at a monthly rent of HKD28,000 exclusive of management charges and rates but inclusive of government rent.
6. The property falls within an area zoned “Residential (Group A)” under Draft Chai Wan Outline Zoning Plan No. S/H20/20.
7. As advised by the Company, China Universal Limited is an indirect wholly-owned subsidiary of the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
17.	Shop no. G12 on Ground Floor, Commercial Podium, Sincere House, No 83 Argyle Street, Kowloon	The property comprises a retail unit on ground floor of a 17-storey composite building of reinforced concrete construction completed in about 1963. According to the developer's sale brochure, the gross floor area is 93 square feet or thereabouts. According to the measurement from assignment plan, the saleable area is 52 square feet or thereabouts.	The property is leased for operating as retailer for the merchandise of mobile phones and accessories, and electronic devices and gadgets use for a term of 2 years commencing on 3 July 2011 and expiring on 2 July 2013 in a monthly rent of HKD84,000 for first 12 months and HKD86,000 for remaining 12 months inclusive of management fees, government rent, rates and air- conditioning charges and exclusive of other outgoings and expenses.	30 June 2012 21,000,000 Hong Kong Dollars Twenty One Million Only 31 August 2012 21,800,000 Hong Kong Dollars Twenty One Million and Eight Hundred Thousand Only
	61/14926th of 51/ 289 shares of and in Kowloon Inland Lot No. 8241.			

Notes:

1. The registered owner of the property is China Universal Limited via an assignment dated 26 January 2011 vide memorial no. 11021700770040 for a consideration of HKD17,460,000.00.
2. The property is subject to the followings:
 - i. Deed of Mutual Covenant vide memorial no. UB411017 dated 21 August 1963.
 - ii. Sub-Deed of Mutual Covenant and Management Agreement vide memorial no. UB6333712 dated 30 May 1995.
3. According to a Tenancy Agreement dated 11 October 2011 entered into between China Universal Limited and Tam Chun Bun, the property is leased to Tam Chun Bun for operating as retailer for the merchandise of mobile phones and accessories, and electronic devices and gadgets use for a term of 2 years commencing on 3 July 2011 and expiring on 2 July 2013 at a monthly rent of HKD84,000 for first 12 months and HKD86,000 for remaining 12 months inclusive of management fees, government rent, rates and air-conditioning charges and exclusive of other outgoings and expenses.
4. The property falls within an area zoned "Residential (Group A)" under Draft Mong Kok Outline Zoning Plan No. S/K3/29.
5. As advised by the Company, China Universal Limited is an indirect wholly-owned subsidiary of the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
18.	Flat G on 14th Floor, Tai Shan Mansion, Kao Shan Terrace, No. 7 Taikoo Shing Road, Taikoo Shing, Hong Kong	The property comprises a residential unit on 14th floor of a high-rise residential building of Taikoo Shing of reinforced concrete construction completed in about 1977. According to the measurement from the registered assignment plans, the saleable area of the property is 580 square feet or thereabouts.	The property is leased for residential use for a term commencing on 22 September 2010 and expiring on 30 September 2012 in a monthly rent of HKD15,000 inclusive of management fee and rates but exclusive of other expenses.	30 June 2012 6,600,000 Hong Kong Dollars Six Million and Six Hundred Thousand Only
	28/35314th shares of and in Section B of Shaukiwan Marine Lot No. 1, Sub- Section 1 of Section J of Quarry Bay Marine Lot No. 2 and The Extension There to and Section L of Quarry Bay Marine Lot No. 2 and The Extension There to	The property is held under Government Lease for a term of 999 years commencing on 05 August 1890.		31 August 2012 6,650,000 Hong Kong Dollars Six Million Six Hundred and Fifty Thousand Only

Notes:

1. The registered owner of the property is China Universal Limited via an assignment dated 28 August 2012 vide memorial no. 12092501730048 for a consideration of HKD6,600,000.00.
2. The property was owned by Pang Wai Shing Samson as at 30 June 2012.
3. The property is subject to the followings:
 - i. Temporary Occupation Permit no. H.K. 17/77 vide memorial no. UB1393829 dated 11 May 1977.
 - ii. Deed of Mutual Covenant with Plans vide memorial no. UB1397168 dated 26 May 1977.
 - iii. Occupation Permit no. H224/77 vide memorial no. UB1453151 dated 15 November 1977.
 - iv. Mortgage in favour of Bank of China (Hong Kong) Limited for the consideration of all moneys vide memorial no. 11071301180024 dated 15 June 2011.

4. According to a Tenancy Agreement dated 22 September 2010 entered into between Sungain Holdings Limited (re: previous owner) and Ho Ka Chun, the property is leased to Ho Ka Chun for residential use for a term commencing on 22 September 2010 and expiring on 30 September 2012 in a monthly rent of HKD15,000 inclusive of management fee and rates but exclusive of other expenses.
5. The property falls within an area zoned "Residential (Group A)" under Approved Quarry Bay Outline Zoning Plan No. S/H21/28.
6. As advised by the Company, China Universal Limited is an indirect wholly-owned subsidiary of the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
19.	Flat A on 12th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon	The property comprises an office unit on 12th floor of a high-rise commercial building of reinforced concrete construction completed in about 1977.	Room 1210A1 is leased for a term commencing on 1 June 2012 and expiring on 31 October 2012 in a monthly rent of HKD14,400 exclusive of rates, management and air-conditioning charges.	30 June 2012 15,700,000
	48/10093rd shares of and in Sub-Section 1, Sub-Section 2 & The Remaining Portion of Section A of Kowloon Inland Lot No. 1301 and Kowloon Inland Lot No. 9419	According to the measurement from the registered assignment plan, the saleable area is 1,330 sq. ft. or thereabouts. The property is held under Government Lease for a term of 75 years renewable for 75 years commencing on 10 July 1916. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension	Room 1210A2 is leased for a term commencing on 1 July 2011 and expiring on 30 June 2013 in a monthly rent of HKD21,600 exclusive of rates, management & air-conditioning charges and all other expenses.	Hong Kong Dollars Fifteen Million and Seven Hundred Thousand Only 31 August 2012 15,700,000 Hong Kong Dollars Fifteen Million and Seven Hundred Thousand Only

Notes:

- The registered owner of the property is Platinum Success Limited via an assignment dated 12 July 2012 vide memorial no. 12072501430024 for a consideration of HKD13,700,000.00.
- The property was owned by Core Medical Technology Limited as at 30 June 2012.
- The property is subject to a Deed of Mutual Covenant vide memorial no. UB1421976 dated 27 July 1977.
- According to a Tenancy Agreement dated 13 July 2011 entered into between Core Medical Technology Limited and Professional Ent Head and Neck Surgery Center Limited, Room 1210A2 is leased to Professional Ent Head and Neck Surgery Center Limited for operating as a clinic for a term commencing on 1 July 2011 and expiring on 30 June 2013 in a monthly rent of HKD21,600 exclusive of rates, management & air-conditioning charges, and all other expenses.
- According to a Letter of Extension dated 31 May 2012 in relation to a Tenancy Agreement dated 1 June 2011 entered into between Core Medical Technology Limited and Hong Kong Genesis Laboratory Centre Limited, Room 1210A1 is leased to Hong Kong Genesis Laboratory Centre Limited for operating as a laboratory centre for a term commencing on 1 June 2012 and expiring on 30 September 2012 at a monthly rent of HKD14,400 exclusive of rates, management and air-conditioning charges.

6. According to a Letter of Extension dated 21 September 2012 in relation to a Tenancy Agreement dated 1 June 2011 entered into between Platinum Success Limited and Hong Kong Genesis Laboratory Centre Limited, Room 1210A1 is further leased to Hong Kong Genesis Laboratory Centre Limited for operating as a laboratory centre for a term of one month commencing on 1 October 2012 and expiring on 31 October 2012 at a monthly rent of HKD 14,400 exclusive of rates, management and air-conditioning charges.
7. The property falls within an area zoned “Commercial” under Draft Yau Ma Tei Outline Zoning Plan No. S/K2/21.
8. As advised by the Company, Core Medical Technology Limited and Platinum Success Limited are an indirect wholly-owned subsidiary of the Group as at 30 June 2012.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
20.	Flat K on 9th Floor, Champion Building, Nos.301-309 Nathan Road, Kowloon	The property comprises an office unit on 9th floor of a high-rise commercial building of reinforced concrete construction completed in 1977.	The property is leased for a term commencing on 24 August 2012 and expiring on 31 December 2012 in a monthly rent of HKD46,872 exclusive of management, air-conditioning charges, rates and government rent.	30 June 2012 15,500,000 Hong Kong Dollars Fifteen Million and Five Hundred Thousand Only
	48/10093rd shares of and in Sub-Section 1, Sub-Section 2 & The Remaining Portion of Section A of Kowloon Inland Lot No. 1301 and Kowloon Inland Lot No. 9419	According to the measurement from the registered assignment plan, the saleable area is 1,360 sq. ft. or thereabouts. The property is held under Government Lease for a term of 75 years renewable for 75 years commencing on 10 July 1916. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		31 August 2012 15,500,000 Hong Kong Dollars Fifteen Million and Five Hundred Thousand Only

Notes:

- The registered owner of the property is Platinum Success Limited via an assignment dated 12 July 2012 vide memorial no. 12072501430012 for a consideration of HKD15,500,000.00.
- The property was owned by Core Medical Technology Limited as at 30 June 2012.
- The property is subject to a Deed of Mutual Covenant vide memorial no. UB1421976 dated 27 July 1977.
- According to a Letter of Extension dated 8 August 2012 in relation to a Tenancy Agreement dated 26 February 2010 entered into between Linkfield Properties Limited and Wong Kar Mau Bernard, the property is leased to Wong Kar Mau Bernard for operating as commercial office use for a term commencing on 24 August 2012 and expiring on 31 December 2012 at a monthly rent of HKD46,872 exclusive of management and air-conditioning charges, rates and government rent.
- The property falls within an area zoned "Commercial" under Draft Yau Ma Tei Outline Zoning Plan No. S/K2/21.
- As advised by the Company, Core Medical Technology Limited and Platinum Success Limited are indirect wholly-owned subsidiaries of the Group as at 30 June 2012.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
21.	Shop nos. G27 and G28 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon 273/14926 of 51/289th shares of and in Kowloon Inland Lot No. 8241.	<p>The property comprises two retail units on ground floor of a 17-storey composite building of reinforced concrete construction completed in about 1963.</p> <p>According to the developer's sale brochure, the total gross floor area is 415 square feet or thereabouts.</p> <p>According to the measurement from assignment plan, the total saleable area is 228 square feet or thereabouts.</p> <p>The property is held under Conditions of Exchange No. 7073 for a term of 75 years renewable for 75 years commencing from 6 April 1923. In our valuation, we take into account that such lease is extended without premium until 30th June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.</p>	<p>Shop no. G27 is currently leased for shop and office uses for a term of 2 years commencing on 1 November 2010 and expiring on 31 October 2012 in a monthly rent of HKD68,000 inclusive of management fees, government rent, rates and air conditioning charges but exclusive of other outgoings and expenses. It will be leased for a term of 2 years commencing on 1 November 2012 and expiring on 31 October 2014 at a monthly rent of HKD78,000 with inclusive of management fees, government rent, rates and air conditioning charges but exclusive of other outgoings and expenses.</p> <p>Shop no. G28 is currently leased for commercial use for a term of 2 years commencing on 23 November 2010 and expiring on 22 November 2012 in a monthly rent of HKD65,000 exclusive of management fees, government rent, rates and air conditioning charges. It will be leased for a term of 2 years commencing on 23 November 2012 and expiring on 22 November 2014 at a monthly rent of HKD76,000 exclusive of management fees, government rent, rates, air conditioning charges and other outgoings and expenses.</p>	<p>30 June 2012</p> <p>45,300,000</p> <p>Hong Kong Dollars Forty Five Million and Three Hundred Thousand Only</p> <p>31 August 2012</p> <p>46,500,000</p> <p>Hong Kong Dollars Forty Six Million and Five Hundred Thousand Only</p>

APPENDIX V VALUATION REPORT ON PROPERTY INTERESTS HELD BY TH PROPERTY GROUP AND THE GROUP

Notes:

1. The registered owner of the property is Talent Vision Limited via an assignment dated 18 May 2010 vide memorial no. 10061702800061 for a consideration of HKD30,000,000.00 (PT.)
2. The property is subject to the followings:
 - i. Deed of Mutual Covenant vide memorial no. UB411017 dated 21 August 1963.
 - ii. Sub-Deed of Mutual Covenant and Management Agreement vide memorial no. UB6333712 dated 30 May 1995.
 - iii. Order No. C/TF/006770/07/K by the Building Authority under S.24 (1) of the Buildings Ordinance vides memorial no. 07121402140055 dated 9 November 2007.
 - iv. Mortgage in favour of Wing Lung Bank Limited for a consideration of all moneys (PT.) vide memorial no. 10041900830026 dated 31 March 2010. Partial Release vides memorial no. 10062503060149 dated 18 May 2010.
 - v. Assignment of Rentals in favour of Wing Lung Bank Limited vides memorial no. 10041900830037 dated 31 March 2010. Partial Release of Assignment of Rentals vides memorial no. 10062503060130 dated 18 May 2010.
3. According to a Tenancy Agreement dated 29 October 2010 entered into between Talent Vision Limited and Yat Fung Telecom (Group) Limited, Shop No. G27 is leased to Yat Fung Telecom (Group) Limited for shop and office uses for a term of 2 years commencing on 1 November 2010 and expiring on 31 October 2012 at a monthly rent of HKD68,000 inclusive of management fees, government rent, rates and air conditioning charges but exclusive of other outgoings and expenses.
4. According to a Tenancy Agreement dated 14 June 2012 entered into between Talent Vision Limited and Yat Fung Telecom (Group) Limited, Shop No. G27 will be leased to Yat Fung Telecom (Group) Limited for operating as retailer for the merchandise of mobile phone (including smartphones) and accessories, and electronic devices and gadgets for a term of 2 years commencing on 1 November 2012 and expiring on 31 October 2014 at a monthly rent of HKD78,000 inclusive of management fees, government rent, rates and air conditioning charges but exclusive of other outgoings and expenses.
5. According to a Tenancy Agreement dated 28 December 2010 entered into between Talent Vision Limited and Fung Yin Ying, Shop No. G28 is leased to Fung Yin Ying for commercial use for a term of 2 years commencing on 23 November 2010 and expiring on 22 November 2012 at a monthly rent of HKD65,000 exclusive of management fees, government rent, rates and air conditioning charges.
6. According to a Tenancy Agreement dated 4 September 2012 entered into between Talent Vision Limited and Fung Yin Ying, Shop No. G28 will be leased to Fung Yin Ying for operating as retailer for the merchandise of mobile phone (including smartphones) and accessories, and electronic devices and gadgets for a term of 2 years commencing on 23 November 2012 and expiring on 22 November 2014 at a monthly rent of HKD76,000 exclusive of management fees, government rent, rates, air conditioning charges and other outgoings and expenses.
7. The property falls within an area zoned "Residential (Group A)" under Draft Mong Kok Outline Zoning Plan No. S/K3/29.
8. In our valuation, we have not taken into account the effect of the Order under the Buildings Ordinance by the Building Authority and its effect on the value of subject property is not reflected on our valuation.
9. As advised by the Company, Talent Vision Limited is an indirect wholly-owned subsidiary of the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
22.	Public Carpark nos. P101-P150 together with shroff's office on First Floor, Citimark, No. 28 Yuen Shun Circuit, Shatin, New Territories	The property comprises 50 public carpark spaces together with shroff's office on first floor of a 22 storey office building of reinforced concrete construction completed in 1994.	The property is leased for the purpose of provision of hourly car park and monthly car park services for a term of 2 years commencing on 1 June 2011 and expiring on 31 May 2013 in a monthly rent of HKD56,500 inclusive of management fees but exclusive of government rent, rates and other charges.	30 June 2012 18,000,000 Hong Kong Dollars Eighteen Million Only 31 August 2012 18,400,000 Hong Kong Dollars Eighteen Million and Four Hundred Thousand Only

Notes:

1. The registered owner of the property is Talent Vision Limited via an assignment dated 6 December 2010 vide memorial no. 10123100890024 for a consideration of HKD17,300,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NT58/94 vide memorial no. ST759589 dated 29 April 1994.
 - ii. Certificate of Compliance vide memorial no. ST770394 dated 13 July 1994.
 - iii. Deed of Mutual Covenant vide memorial no. ST772305 dated 20 July 1994.
 - iv. Deed of Mutual Covenant and Management Agreement vide memorial no. ST857441 dated 20 July 1994.
3. According to a Tenancy Agreement dated 6 July 2011 entered into between Talent Vision Limited and Yue Xiu APT Parking Limited, the property is leased to Yue Xiu APT Parking Limited for the purpose of provision of hourly car park and monthly car park services for a term of 2 years commencing on 1 June 2011 and expiring on 31 May 2013 in a monthly rent of HKD56,500 inclusive of management fees but exclusive of government rent, rates and other charges.
4. The property falls within an area zoned "Commercial" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
5. As advised by the Company, Talent Vision Limited is an indirect wholly-owned subsidiary of the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
23.	Shop no. 21 on Ground Floor, Grandway Garden, No. 16 Mei Tin Road, and Nos. 15 & 35 Tsuen Nam Road, Shatin, New Territories	The property comprises a retail unit located at the ground floor of a multi-storey residential development of reinforced concrete construction completed in 1989. According to the developer's sale brochure, the gross floor area and saleable area are 303 and 290 square feet or thereabouts respectively.	The property is leased for use as a shop for general wholesale and retail of shoes use for a term of 3 years commencing on 1 September 2011 and expiring on 31 August 2014 in a monthly rent of HKD92,180 inclusive of management fees, government rent and rates.	30 June 2012 52,800,000 Hong Kong Dollars Fifty Two Million and Eight Hundred Thousand Only
	42/43667th shares of and in Sha Tin Lot No. 289	The property is held under New Grant No. ST12159 for a term commencing from 24 March 1987 and expiring on 30 June 2047. In our valuation, we take into account that such leases are extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		31 August 2012 58,000,000 Hong Kong Dollars Fifty Eight Million Only

Notes:

1. The registered owner of the property is Superb Yield Limited via an assignment dated 30 March 2011 vide memorial no. 11042000890023 for a consideration of HKD40,427,000.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NT26/89 vide memorial no. ST469369 dated 1 February 1989.
 - ii. Certificate of Compliance vide memorial no. ST469370 dated 22 March 1989.
 - iii. Deed of Mutual Covenant and Management Agreement vide memorial no. ST470219 dated 28 March 1989.
3. According to a Tenancy Agreement dated 26 September 2011 entered into between Superb Yield Limited and Chan Yin Tong, the property is leased to Chan Yin Tong as a shop for general wholesale and retail of shoes use for a term of 3 years commencing on 1 September 2011 and expiring on 31 August 2014 in a monthly rent of HKD92,180 inclusive of management fees, government rent and rates.
4. The property falls within an area zoned "Residential (Group A)" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
5. As advised by the Company, Superb Yield Limited is an indirect wholly-owned subsidiary of the Group.

VALUATION CERTIFICATE

Group III – Properties held by Town Health International Investments Limited and its subsidiaries for
owner occupation in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
24.	Workshop 17 and 18 on 4th Floor, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories 13/1895th shares of and in Sha Tin Town Lot No. 142	The property comprises two workshop units on forth floor of an 18-storey industrial building of reinforced concrete construction completed in 1988. According to the developer's sale brochure, the gross floor area and saleable area are 3,940 square feet or thereabouts and 2,955 square feet or thereabouts respectively. The property is held under New Grant No. 11611 for a term of 99 years commencing on 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30th June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.	The property is owner-occupied as at the Valuation Date.	30 June 2012 8,470,000 Hong Kong Dollars Eight Million Four Hundred and Seventy Thousand Only 31 August 2012 9,030,000 Hong Kong Dollars Nine Million and Thirty Thousand Only

Notes:

1. The registered owner of the property is Oriental Elite Limited via an assignment dated 16 July 2010 vide memorial no. 10112901750245 for a part of consideration of HKD484,172.00(PT).
2. The property is subject to the followings:
 - i. Certificate of Compliance vide memorial no. ST440721 dated 6 September 1988.
 - ii. Deed of Mutual Covenant vide memorial no. ST443027 dated 12 September 1988.
 - iii. Management Agreement vide memorial no. ST443028 dated 12 September 1988.
 - iv. Legal Charge in favour of The National Commercial Bank Limited vide memorial no. ST458438 dated 26 November 1988.
3. The property falls within an area zoned "Industrial" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
4. As advised by the Company, Oriental Elite Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
25.	Workshop 20 with Lavatories and Flat Roof on 3rd Floor (otherwise known as Upper Ground Floor), Goldfield Industrial Centre, No. 1 Sui Wo Road, Shatin New Territories	The property comprises a workshop on the third floor of the industrial building. Ground Floor to 3rd Floor of the building were completed in about 1984 while the upper floors were completed in about 1990. According to the developer's sale brochure, the gross floor area and saleable area are 942 square feet or thereabouts and 695 square feet or thereabouts respectively.	The property is owner-occupied as at the Valuation Date.	30 June 2012 1,930,000 Hong Kong Dollars One Million Nine Hundred and Thirty Thousand Only
	6/5050th shares of and in Sha tin Town Lot No. 112	The property is held under New Grant No. 11435 for a term of 99 years commencing from 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		31 August 2012 2,000,000 Hong Kong Dollars Two Million Only

Notes:

1. The registered owner of the property is Oriental Elite Limited via an assignment dated 16 July 2010 vide memorial no. 10112901750252 for a consideration of HKD237,470.00.
2. The property is subject to the followings:
 - i. Occupation Permit no. NT100/90 vide memorial no. ST538301 dated 30 July 1990.
 - ii. Deed of Mutual Covenant and Management Agreement vide memorial no. ST540233 dated 31 July 1990.
3. The property falls within an area zoned "Industrial" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
4. As advised by the Company, Oriental Elite Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at HKD
26.	Flat 3 on 25th Floor of Block D, Hilton Plaza, Nos. 3-9 Sha Tin Centre Street, Shatin, New Territories	The property comprises a residential unit on 25 floor of a 29-storey residential building over 3- storey with a basement commercial/carparking development reinforced concrete construction completed in 1985.	The property is owner-occupied as at the Valuation Date.	30 June 2012 3,610,000
	8/8068th shares of and in Sha Tin Town Lot No. 161	According to the developer's sale brochure, the gross floor area is 659 square feet or thereabouts. According to the measurement from assignment plan, the saleable area is 440 square feet or thereabouts plus a bay window of 61 square feet or thereabouts.		Hong Kong Dollars Three Million Six Hundred and Ten Thousand Only 31 August 2012 3,730,000
		The property is held under New Grant No. 11637 for a term of 99 years commencing from 1 July 1898. In our valuation, we take into account that such lease is extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the property is charged from the date of extension.		Hong Kong Dollars Three Million Seven Hundred and Thirty Thousand Only

Notes:

1. The registered owner of the property is Oriental Elite Limited via an assignment dated 24 September 2010 vide memorial no. 10112901750363 for a consideration of HKD885,879.00.
2. The property is subject to the followings:
 - i. Certificate of Compliance vide memorial no. ST300597 dated 9 October 1985.
 - ii. Deed of Mutual Covenant vide memorial no. ST302639 dated 15 October 1985.
 - iii. Management Agreement vide memorial no. ST302640 dated 15 October 1985.
3. The property falls within an area zoned "Commercial/Residential" under Approved Sha Tin Outline Zoning Plan No. S/ST/26.
4. As advised by the Company, Oriental Elite Limited is an indirect wholly-owned subsidiary of Town Health International Investments Limited.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at the Latest Practicable Date, the Company had not been notified by any person who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

So far as is known to the Directors, as at the Latest Practicable Date, there was no person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Enlarged Group.

4. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered by members of the Enlarged Group after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date and which are or may be material:

- (a) the sale and purchase agreement dated 24 November 2010 and entered into among Kenson Assets Limited, Kindness Spirit Company Limited and Mr. Ling Koon Wah in relation to the sale and purchase of the 70 ordinary shares of HK\$1 each in the issued share capital of PR ASIA Consultants Limited for a consideration of HK\$23,520,000;

- (b) the sale and purchase agreement dated 24 November 2010 and entered into between Kenson Assets Limited and King Fuk Holdings Limited in relation to the sale and purchase of 30 ordinary shares of HK\$1 each in the issued share capital of PR ASIA Consultants Limited for a consideration of HK\$10,080,000;
- (c) the conditional placing agreement dated 24 November 2010 entered into between the Company and Fordjoy Securities and Futures Limited in relation to the placing of a maximum of 505,700,000 new Shares at HK\$0.165 per Share;
- (d) the conditional placing agreement dated 24 November 2010 entered into between the Company and Fordjoy Securities and Futures Limited in relation to the placing of a maximum of 100,400,000 new Shares at HK\$0.165 per Share;
- (e) the underwriting agreement dated 28 February 2012 entered into between the Company and the Kingston Securities Limited in relation to the proposed issue of not less than 554,167,446 new Shares and not more than 554,274,003 new Shares by way of open offer;
- (f) the sale and purchase agreement dated 23 April 2012 entered into between Ms Zee Helen and Fairy Empire Investment Limited in relation to the sale and purchase of 1 ordinary share of US\$1 each in the issued share capital of Fairy Global Investment Limited (“**Fairy Global**”) and all indebtedness, obligations and liabilities due, owing or incurred by Fairy Global to Fairy Empire Investment Limited as at the date of completion at an aggregate consideration of HK\$22,500,000;
- (g) the loan agreement dated 25 April 2012 entered into between the Company and an independent third party with a principal amount of HK\$12,000,000 at an interest at 12% per annum and repayable in October 2012;
- (h) the acquisition agreement dated 7 May 2012 entered into between the Company as purchaser and Ms. Chen Yejun and Mr. Huang Tianhua as vendors in relation to the acquisition by the Company of 100 issued and fully paid shares of US\$1 each in the capital of Sino-Mongolia Fluorspar Mining Co., Ltd. (“**SMFMC**”) and all amounts owed by any member of SMFMC and its subsidiaries at a total consideration of HK\$148,000,000 (subject to adjustment);
- (i) the conditional placing agreement dated 9 May 2012 entered into between the Company and Kingston Securities Limited in respect of the placing of a maximum of 1,000,000,000 new Shares at HK\$0.05 per Share;
- (j) the convertible notes placing agreement dated 9 May 2012 entered into between the Company and Kingston Securities Limited in relation to the placing of the convertible notes in an aggregate maximum principal amount of HK\$100,000,000; and
- (k) the SP Agreement.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or have given opinions, letter or advice contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants, Certified Public Accountants
RHL Appraisal Limited	Property Valuer

Each of HLB Hodgson Impey Cheng and RHL Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of HLB Hodgson Impey Cheng and RHL Appraisal Limited was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any members of the Enlarged Group since 30 June 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules, if the Directors were controlling Shareholders.

9. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed herein, the Directors confirm that there was no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Enlarged Group.

10. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2012, being the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

11. GENERAL

- (a) The registered office of the Company is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 1903, 19th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (c) The company secretary of the Company is Mr. Luk Chi Shing who is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (d) The compliance officer of the Company is Mr. Chen Liang.
- (e) As at the Latest Practicable Date, the audit committee of the Company consisted of the following members: (i) Mr. Chi Chi Hung, Kenneth (chairman); (ii) Mr. Leung Chi Kin and (iii) Mr. Tam B Ray, Billy.

Mr. Chi Chi Hung, Kenneth, holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, and associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is an executive director of Hua Yi Copper Holdings Limited (stock code: 559), a company listed on the Main Board of the Stock Exchange; China Grand Forestry Green Resources Group Limited (stock code: 910), a company listed on the Main Board of the Stock Exchange; M Dream Inworld Limited (stock code: 8100), a company listed on GEM; and Morning Star Resources Limited (stock code: 542), a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), a company listed on GEM; Aurum Pacific (China) Group Limited (stock code: 8148), a company listed on GEM and Noble Century Investment Holdings Limited (formerly known as "Sam Woo Holdings Limited") (stock code: 2322), a company listed on the Main Board of the Stock Exchange. Mr. Chi has accumulated over 19 years of working experience in accounting and financial control.

Mr. Leung Chi Kin is devoted to community welfare work and has been the committee member or chairman of various social groups. Mr. Leung had been an appointed member of the Shatin District Council for 17 years. Mr. Leung was also awarded a Medal of Honour by the Hong

Kong Special Administrative Region. He was an independent non-executive director of Apollo Solar Energy Technology Holdings Limited (formerly known as RBI Holdings Limited) (stock code: 566), a company listed on the Main Board of the Stock Exchange, during the period from 1 May 2008 to 25 November 2009.

Mr. Tam B Ray, Billy, has been a practicing solicitor in Hong Kong for over 15 years. He is currently a partner of Messrs. Ho & Tam, a firm of solicitors in Hong Kong. He holds a Bachelor Degree of Laws from the University of London; Bachelor Degree of PRC Laws from Tsing Hua University; and a Master Degree of Laws from The University of Hong Kong. He is an independent non-executive director of China Fortune Financial Group Limited (formerly known as “China Fortune Group Limited”) (stock code: 290), a company listed on the Main Board of the Stock Exchange and an independent non-executive director of M Dream Inworld Limited (stock code: 8100), a company listed on GEM. Mr. Tam is also a non-executive director of Larry Jewelry International Company Limited (formerly known as “Eternite International Company Limited”) (stock code: 8351), a company listed on GEM and a non-executive director of Milan Station Holdings Limited (stock code: 1150), a company listed on the Main Board of the Stock Exchange.

The audit committee of the Company reviews the Company’s annual report and accounts, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Group’s financial reporting and internal control procedures.

- (f) The Company’s branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (g) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Unit 1903, 19th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, from the date of this circular, up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 6 to 31 of this circular;
- (c) the material contracts referred to in the section headed “Material contracts” in this Appendix;
- (d) the written consents of the experts referred to in the section headed “Experts and consents” in this Appendix;

- (e) the accountants' report on TH Property Group for the financial period from 1 April 2009 to 31 December 2009, years ended 31 December 2010 and 31 December 2011 and the six months ended 30 June 2012 as set out in Appendix III to this circular;
- (f) the report from HLB Hodgson Impey Cheng in respect of the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular;
- (g) the valuation report on the property interests held by TH Property Group and CN Property Group as set out in Appendix V to this circular;
- (h) the annual reports of the Company for the two years ended 30 June 2012; and
- (i) this circular.

NOTICE OF THE EGM



China Natural Investment Company Limited 中國天然投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8250)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of China Natural Investment Company Limited (“**Company**”) will be held at 10:45 a.m. on Friday, 30 November 2012 at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the agreement dated 7 September 2012 entered into between Chemosino International Limited (“**CN BVI**”) and Town Health Asset Management Limited (“**TH Property Holding**”) in relation to the Transactions (as defined in the circular of the Company dated 30 October 2012 (“**Circular**”), a copy of which is marked “A” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) (“**SP Agreement**”) (a copy of the SP Agreement is marked “B” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the First Right Subscription (as defined in the Circular) by CN BVI during the First Right Period (as defined in the Circular) in accordance with the terms and conditions of the SP Agreement be and is hereby approved; and
- (c) any one of the directors (“**Directors**”) of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the SP Agreement and all transactions contemplated thereunder (including but not limited to the First Right Subscription), and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms

NOTICE OF THE EGM

thereof, which are not fundamentally different from those as provided in the SP Agreement) as are, in the opinion of the Directors or the duly authorised committee, in the interest of the Company and its shareholders as a whole.”

On behalf of the Board
China Natural Investment Company Limited
Li Wai Hung
Chairman

Hong Kong, 30 October 2012

Registered office
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*
Unit 1903, 19th Floor
West Tower, Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending in person and voting at the extraordinary general meeting or any adjournment thereof should he so wish.
- (3) Completion and return of an instrument appointing a proxy should not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) As required under the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"), the above resolution will be decided by way of poll.

NOTICE OF THE EGM

As at the date hereof, the Board comprises (i) three executive Directors namely, Mr. Li Wai Hung, Mr. Chen Liang and Mr. Bai Jian; and (ii) three independent non-executive Directors namely, Mr. Leung Chi Kin, Mr. Tam B Ray, Billy and Mr. Chi Chi Hung, Kenneth.

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 notice 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 notice misleading.

This notice will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at <http://www.chinanatural.com.hk>.