THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 Chevalier International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

CHEVALIER

CHEVALIER INTERNATIONAL HOLDINGS LIMITED
其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

MAJOR TRANSACTION
ACQUISITION OF SENIOR HOUSING BUSINESS IN THE US

Financial adviser to Chevalier International Holdings Limited

Investec

A notice convening the SGM to be held at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong on Friday, 21 December 2012 at 10:00 a.m. is set out on pages 88 to 89 of this circular.

Whether or not you intend to be present at the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, TRICOR STANDARD LIMITED at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting or adjourned meeting should you so wish.

* *For identification purpose only*

5 December 2012

CONTENTS

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

"Announcement"	the announcement of the Company dated 12 October 2012 in relation to, among other things, the Proposed Acquisition
"Assignees"	collectively, NC4 Albemarle; NC4 Canterbury; NC4 Caswell; NC4 Cedarmtn; NC4 Cherryspr; NC4 Covington; NC4 Cranberry; NC4 Edenton; NC4 Hayesville; NC4 Kingsbridge; NC4 Magcreek; NC4 Oliver; NC4 Sharon; NC4 Magnolia; NC4 Wellington; NC4 Williamston; NC4 Windsor; and NC4 Yancey
"Assignments"	the assignment of all the rights and obligations of Strategic Capital set out in the Purchase and Sale Agreement in relation to the Proposed Acquisition to the Assignees
"Assignment Agreement"	the assignment and assumption of the Purchase and Sale Agreement dated 11 October 2012 (US time) entered into between the Assignees and Strategic Capital in relation to the Assignments
"Board"	the board of Directors
"CBRE"	CBRE Group, an independent professional valuer who is responsible in appraising the Target Business and the Properties
"Company"	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 25)
"Completion Date"	the date on which completion of the Proposed Acquisition takes place, being 21 December 2012 or such other date as agreed by the Assignees and the Vendors in writing
"connected persons"	has the meaning ascribed to it under the Listing Rules
"CPHL"	Dingyi Group Investment Limited (formerly known as Chevalier Pacific Holdings Limited), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 508)

"CPHL Group"	CPHL and its subsidiaries
"Directors"	directors of the Company
"Enlarged Group"	the Group including the Target Business (including the Properties)
"FC Properties"	FC Properties XVI, LLC, a limited liability company incorporated in Delaware, US and is the ultimate holding company of the Vendors
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Inspection Period"	the period ending at 5:00 p.m. Pacific Time on 22 October 2012
"Kinetic Capital"	Kinetic Capital Company Limited, a limited liability company incorporated in the British Virgin Islands and an independent adviser and asset manager engaged by the Company, which is in alliance with Strategic Capital with respect to the Proposed Acquisition. To the best of the Directors' knowledge, information and belief after making reasonable enquiries, Kinetic Capital and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
"Latest Practicable Date"	30 November 2012, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Contracts"	18 contracts to be entered into between each of the NewCos and Meridian Senior Living on or before the Completion Date in relation to the operating arrangements of the Properties
"Master Lease Agreements"	the 18 leasing agreements to be entered into between the Assignees and the 18 NewCos respectively on or before the Completion Date in relation to the leasing of the Properties

"Medicaid"	the US health program for certain people and families with low incomes and resources
"Meridian Senior Living"	a limited liability company incorporated in the US and the existing manager of the Properties
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
"NC4 Albemarle"	NC4 Albemarle, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Canterbury"	NC4 Canterbury, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Caswell"	NC4 Caswell, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Cedarmtn"	NC4 Cedarmtn, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Cherryspr"	NC4 Cherryspr, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Covington"	NC4 Covington, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Cranberry"	NC4 Cranberry, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Edenton"	NC4 Edenton, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Hayesville"	NC4 Hayesville, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company

"NC4 Kingsbridge"	NC4 Kingsbridge, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Magcreek"	NC4 Magcreek, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Oliver"	NC4 Oliver, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Sharon"	NC4 Sharon, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Magnolia"	NC4 Magnolia, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Wellington"	NC4 Wellington, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Williamston"	NC4 Williamston, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Windsor"	NC4 Windsor, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"NC4 Yancey"	NC4 Yancey, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
"Net Operating Income"	the total revenue net of operating expenses (excluding amortisation, depreciation, tax and interest expense and corporate overhead) provided by Meridian Senior Living and was unaudited
"NewCos"	18 holding companies set up by Meridian Senior Living to lease the Properties from the Assignees under the terms and conditions set out in the Master Lease Agreements

"Operators"	collectively, Albemarle Operating AL, LLC; Roxboro Operating AL, LLC; Yanceyville Operating AL, LLC; Brevard South Operating AL, LLC; Hendersonville Operating AL, LLC; Raleigh Operating AL, LLC; Newland Operating AL, LLC; Edenton Operating AL, LLC; Hayesville Operating AL, LLC; Brevard North Operating AL, LLC; Winston-Salem Operating AL, LLC; Wendell Operating AL, LLC; Charlotte Operating AL, LLC; Clinton Operating AL, LLC; Gastonia Operating AL, LLC; Williamston Operating AL, LLC; Windsor Operating AL, LLC and Burnsville Operating AL, LLC
"Properties"	together, Albemarle House, Canterbury House, Caswell House, Cedar Mountain House, Cherry Springs Village, The Covington, Cranberry House, Edenton House, Hayesville House, Kingsbridge House, Magnolia Creek, Oliver House, Sharon Amity, The Magnolia, Wellington House, Williamston House, Windsor House and Yancey House
"Properties Owners"	collectively, Albemarle HCRE, LLC; Brevard North HCRE, LLC; Brevard South HCRE, LLC; Burnsville HCRE, LLC; Charlotte HCRE, LLC; Clinton HCRE, LLC; Edenton HCRE, LLC; Gastonia HCRE, LLC; Hayesville HCRE, LLC; Hendersonville HCRE, LLC; Newland HCRE, LLC; Raleigh HCRE, LLC; Roxboro HCRE, LLC; Wendell HCRE, LLC; Williamston HCRE, LLC; Windsor HCRE, LLC; Winston-Salem HCRE, LLC; and Yanceyville HCRE, LLC
"Proposed Acquisition"	the acquisition of the Target Business by the Assignees by way of the Assignments
"Purchase and Sale Agreement"	the Purchase and Sale Agreement dated 7 June 2012 (as amended and supplemented on 30 July 2012, 17 August 2012, 23 August 2012, 30 August 2012, 7 September 2012 and 1 October 2012) entered into between the Vendors and Strategic Capital in relation to the acquisition of the Target Business
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

"SGM"	a special general meeting of the Company to be convened and held to approve the Assignment Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$1.25 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Capital"	Strategic Capital Group, LLC, a limited liability company incorporated in Utah, which is in alliance with Kinetic Capital with respect to the Proposed Acquisition
"Target Business"	the Properties' operation as senior housing facilities (including the Properties)
"Vendors"	together, the Properties Owners and the Operators
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"sq. ft."	square feet
"US"	the United States of America
"US$"	United States dollars, the lawful currency of the US

This circular contains translation between US$ and HK$ at the rate US$1.0 = HK$7.8. The translation rate is for indication purposes only and should not be taken as a representation that the relevant currencies could actually be converted at that rate or at all.

CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

Executive Directors:
Dr. CHOW Yei Ching *(Chairman)*
Mr. KUOK Hoi Sang *(Vice Chairman and Managing Director)*
Mr. TAM Kwok Wing *(Deputy Managing Director)*
Mr. CHOW Vee Tsung, Oscar
Mr. HO Chung Leung
Mr. MA Chi Wing
Ms. Lily CHOW

Non-Executive Directors:
Dr. CHOW Ming Kuen, Joseph #
Mr. SUN Kai Dah, George #
Mr. YANG Chuen Liang, Charles #
Dr. KO Chan Gock, William

Independent Non-Executive Directors

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business:
22nd Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

5 December 2012

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF SENIOR HOUSING BUSINESS IN THE US

INTRODUCTION

Reference is made to the Announcement in relation to the Proposed Acquisition.

The purpose of this circular is to provide you with, among other things, (i) further information on the Assignment Agreement and the Purchase and Sale Agreement; (ii) the financial information of the Target Business; (iii) unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report of the Target Business; (v) the valuation report of the Properties; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules.

* *For identification purpose only*

THE PROPOSED ACQUISITION

On 11 October 2012 (US time), Strategic Capital and the Assignees entered into the Assignment Agreement. Upon signing of the Assignment Agreement on 11 October 2012 (US time), the Assignees have respectively taken up all the rights and obligations of Strategic Capital set out in the Purchase and Sale Agreement in relation to the Proposed Acquisition. Details of the said agreements are set out below:

THE ASSIGNMENT AGREEMENT

Date: 11 October 2012 (US time)

Parties

Assignor	Assignee	Property assigned
Strategic Capital	NC4 Albemarle	Albemarle House
Strategic Capital	NC4 Canterbury	Canterbury House
Strategic Capital	NC4 Caswell	Caswell House
Strategic Capital	NC4 Cedarmtn	Cedar Mountain House
Strategic Capital	NC4 Cherryspr	Cherry Springs Village
Strategic Capital	NC4 Covington	The Covington
Strategic Capital	NC4 Cranberry	Cranberry House
Strategic Capital	NC4 Edenton	Edenton House
Strategic Capital	NC4 Hayesville	Hayesville House
Strategic Capital	NC4 Kingsbridge	Kingsbridge House
Strategic Capital	NC4 Magcreek	Magnolia Creek
Strategic Capital	NC4 Oliver	Oliver House
Strategic Capital	NC4 Sharon	Sharon Amity
Strategic Capital	NC4 Magnolia	The Magnolia
Strategic Capital	NC4 Wellington	Wellington House
Strategic Capital	NC4 Williamston	Williamston House
Strategic Capital	NC4 Windsor	Windsor House
Strategic Capital	NC4 Yancey	Yancey House

To the best of the Directors' knowledge, information and belief after making reasonable enquiries, (i) Strategic Capital is principally engaged in private property investment; and (ii) Strategic Capital and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Subject of the Assignments

Under the Assignment Agreement, Strategic Capital has agreed to assign all its rights and obligations set out in the Purchase and Sale Agreement to the Assignees. Details of the Purchase and Sale Agreement are set out below:

The Purchase and Sale Agreement:

Date: 7 June 2012 (as amended and supplemented on 30 July 2012, 17 August 2012, 23 August 2012, 30 August 2012, 7 September 2012 and 1 October 2012)

Parties

Purchaser: Strategic Capital

Vendors:	**Properties**
Albemarle HCRE, LLC and Albemarle Operating AL, LLC	Albemarle House
Roxboro HCRE, LLC and Roxboro Operating AL, LLC	Canterbury House
Yanceyville HCRE, LLC and Yanceyville Operating AL, LLC	Caswell House
Brevard South HCRE, LLC and Brevard South Operating AL, LLC	Cedar Mountain House
Hendersonville HCRE, LLC and Hendersonville Operating AL, LLC	Cherry Springs Village
Raleigh HCRE, LLC and Raleigh Operating AL, LLC	The Covington
Newland HCRE, LLC and Newland Operating AL, LLC	Cranberry House
Edenton HCRE, LLC and Edenton Operating AL, LLC	Edenton House
Hayesville HCRE, LLC and Hayesville Operating AL, LLC	Hayesville House
Brevard North HCRE, LLC and Brevard North Operating AL, LLC	Kingsbridge House
Winston-Salem HCRE, LLC and Winston-Salem Operating AL, LLC	Magnolia Creek
Wendell HCRE, LLC and Wendell Operating AL, LLC	Oliver House
Charlotte HCRE, LLC and Charlotte Operating AL, LLC	Sharon Amity
Clinton HCRE, LLC and Clinton Operating AL, LLC	The Magnolia
Gastonia HCRE, LLC and Gastonia Operating AL, LLC	Wellington House
Williamston HCRE, LLC and Williamston Operating AL, LLC	Williamston House
Windsor HCRE, LLC and Windsor Operating AL, LLC	Windsor House
Burnsville HCRE, LLC and Burnsville Operating AL, LLC	Yancey House

The Properties Owners and the Operators are the Vendors to the Purchase and Sale Agreement whereby the Properties Owners own the titles to the Properties and the Operators own all tangible personal property located or used in connection with the ownership, operation, management or maintenance of each of the Properties.

The Properties Owners are investment holding companies while the Operators are responsible for the day-to-day operation of the Target Business through the manager of the Properties, Meridian Senior Living. Both the Properties Owners and the Operators are wholly-owned subsidiaries of FC Properties which is mainly engaged in owning and operating senior housing facilities in North Carolina, US. To the best of the Directors' knowledge, information and belief after making reasonable enquiries, the Properties Owners, the Operators, FC Properties and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Aggregate Consideration of the Proposed Acquisition

The aggregate consideration for the Target Business (including the Properties) amounts to US$124.0 million (equivalent to approximately HK$967.2 million), which shall be settled in the following manner:

(i) an aggregate cash deposit of US$500,000 (equivalent to approximately HK$3.9 million) (the "**Initial Deposit**") was paid by Strategic Capital to the designated escrow agent and pursuant to the Purchase and Sale Agreement, such Initial Deposit was reimbursed by the Assignees to Strategic Capital upon completion of the Assignments;

(ii) an additional cash deposit of US$2.0 million (equivalent to approximately HK$15.6 million) (the "**Additional Deposit**") was paid by the Assignees to the designated escrow agent upon completion of the Assignments;

(iii) approximately 74.6% of the aggregate consideration net of the estimated cost of maintenance to be performed by the Assignees on the Properties of US$4.0 million (equivalent to approximately HK$31.2 million) or approximately US$89.5 million (equivalent to approximately HK$698.1 million), to be paid by a mortgage loan which will fund on the Completion Date pursuant to a commitment (the "**Loan Commitment**") issued to the Assignees on 11 October 2012 (US time); and

(iv) the balance of the aggregate consideration (subject to the adjustments) which amounts to approximately US$32.0 million (equivalent to approximately HK$249.6 million) payable in cash by the Assignees to the designated escrow agent on or before the Completion Date.

The aggregate consideration for the Target Business (including the Properties) was arrived at after arm's length negotiations between Strategic Capital and the Vendors. The Directors are of the view that the aggregate consideration for the Proposed Acquisition is fair and reasonable and is in the interest of the Shareholders as a whole having taken into account:

(i) the audited aggregate revenue of approximately HK$284.5 million and the unaudited aggregate Net Operating Income of approximately HK$93.1 million generated from the Target Business for the financial year ended 31 December 2011;

(ii) the indicative market value of the Target Business of approximately US$127.4 million (equivalent to approximately HK$993.7 million) as of 31 October 2012, as advised by independent professional valuer, CBRE;

(iii) the Directors' knowledge in such industry that the aggregate consideration is comparable to market price of similar business or the consideration for sale transactions of similar business in the US; and

(iv) the expected annual yield to be generated by the Target Business to the Group from the future leases of the Properties having taken into account the capitalisation rate of approximately 9.75% as calculated with reference to (a) the unaudited aggregate Net Operating Income generated by the Target Business for the financial year ended 31 December 2011; (b) the aggregate consideration for the Target Business (including the Properties); and (c) the estimated cost of maintenance to be performed by the Assignees of US$4.0 million (equivalent to approximately HK$31.2 million).

Adjustments to the aggregate consideration of the Proposed Acquisition

The aggregate consideration for the Purchase and Sale Agreement is subject to the following adjustments:

(i) the aggregate consideration shall be adjusted by the working capital of the Target Business, among others, include (a) the rental fees receivable from residents and the US government for services provided to senior citizens; (b) amount payable to food and medicine suppliers; and (c) any outstanding utility bill. The aggregate consideration shall be increased by the amount by which the closing working capital (as calculated in accordance with methodologies and policies used in preparing the financial statements of the Target Business, no later than 90 days after the Completion Date) exceeds the base working capital (as agreed upon by the parties upon completion of the Proposed Acquisition); and the aggregate consideration shall be decreased by the amount by which the base working exceeds the closing working capital (the "**Working Capital Adjustment**"). The Working Capital Adjustment shall be settled in full within ten days after determination of the abovementioned closing working capital and it was agreed that in no event shall the aggregate consideration be increased by more than US$4.0 million (equivalent to approximately HK$31.2 million) in this regard;

(ii) aggregate consideration shall be adjusted by the prorated real estate and personal property taxes as of the Completion Date; and

(iii) the Assignees shall receive from the Vendors a credit equal to the estimated cost of maintenance to be performed by the Assignees on the Properties of US$4.0 million (equivalent to approximately HK$31.2 million).

Indemnification by the Vendors

The Vendors shall indemnify the Assignees against all liabilities, claims, damages, cost and expenses arising from the Properties prior to the Completion Date, subject to a cap of 20% of the aggregate consideration (as adjusted) for the Proposed Acquisition. The said indemnification by the Vendors shall be valid for a period of 18 months following the Completion Date.

Conditions precedent

Completion of the Purchase and Sale Agreement is conditional upon:–

(i) the Assignees shall perform in material aspects all its obligations under the Purchase and Sale Agreement prior to the Completion Date;

(ii) representations and warranties given by the Assignees shall be true and correct as of the Completion Date in all material aspects;

(iii) a specified title insurer shall issue (or irrevocably committed to issue) a title insurance policy in the form of an approved title report relating to each of the Properties to the Assignees;

(iv) the Vendors shall perform in all material respects all its obligations under the Purchase and Sale Agreement, prior to the Completion Date;

(v) representations and warranties given by the Vendors shall be true and correct as of the Completion Date in all material aspects;

(vi) the NewCos shall have obtained all governmental licenses and approvals necessary to operate the Target Business; and

(vii) all conditions to the Loan Commitment shall have been satisfied.

Conditions (iii), (iv), (v), (vi) and (vii) above are capable of being waived in writing by the Assignees. In the event that any of the above conditions precedent is not fulfilled but not due to the failure of the Vendors to fulfil their respective obligations under the Purchase and Sale Agreement, the Assignees shall forfeit US$750,000 (equivalent to approximately HK$5.9 million) of the deposits paid (i.e. the aggregated amount of the Initial Deposit and the Additional Deposit), which the Vendors would be entitled to retain while the remaining of the deposits paid of US$1,750,000 (equivalent to approximately HK$13.7 million) would be refunded to the Assignees.

Failure to perform the Purchase and Sale Agreement

In the event that the Vendors fail to fulfil their material obligations on the Completion Date, the Assignees may as their sole and exclusive remedy, either:–

(i) terminate the Purchase and Sale Agreement by written notice prior to the expiration of the Inspection Period, in which case deposits made thereby shall be forthwith returned thereto and it shall have the right to recover its actual damages against the Vendors; or

(ii) compel specific performance by the Vendors of their obligations, in which event the cash deposits made thereby shall be delivered thereto on the Completion Date and credited against the aggregate consideration for the Target Business (including the Properties).

If the Assignees fail to fulfil their obligations, the cash deposits made thereby shall be forfeited by the Vendors as full and liquidated damages in lieu of all other rights and remedies.

BUSINESS TO BE ACQUIRED UNDER THE PROPOSED ACQUISITION

The business to be acquired is the Properties' operation as senior housing facilities (i.e. the Target Business) whereby the Properties include: Albemarle House, Canterbury House, Caswell House, Cedar Mountain House, Cherry Springs Village, The Covington, Cranberry House, Edenton House, Hayesville House, Kingsbridge House, Magnolia Creek, Oliver House, Sharon Amity, The Magnolia, Wellington House, Williamston House, Windsor House and Yancey House, which are located at North Carolina, US. The Properties have an aggregate capacity of approximately 1,322 beds while the aggregate gross floor area of the Properties is approximately 441,584 sq. ft. and the aggregate site area is approximately 4,152,837 sq. ft..

Details of each of the Properties are as below:

Properties	Year of establishment	Location	Gross floor area	Site area	Number of beds
			(sq.ft.)	*(sq.ft.)*	
Albemarle House	1998	Albemarle	20,046	174,240	76
Canterbury House	1999	Roxboro	16,971	103,673	60
Caswell House	2007	Yanceyville	38,283	245,243	100
Cedar Mountain House	1999	Brevard	20,736	87,120	64
Cherry Springs Village	1998	Hendersonville	21,160	418,612	60
The Covington	1988	Raleigh	52,697	189,922	120
Cranberry House	2007	Newland	22,210	204,645	60
Edenton House	2007	Edenton	24,732	197,588	60
Hayesville House	2007	Hayesville	22,383	528,818	60
Kingsbridge House	1999	Brevard	16,971	125,888	60
Magnolia Creek	1990	Winston-Salem	33,304	447,361	117
Oliver House	1979	Wendell	26,380	179,032	92
Sharon Amity	1999	Charlotte	22,231	122,404	64
The Magnolia	1997	Clinton	26,600	292,723	91
Wellington House	1988	Gastonia	12,000	45,215	48
Williamston House	1999	Williamston	17,491	209,524	60
Windsor House	2007	Windsor	23,326	248,292	60
Yancey House	2007	Burnsville	24,063	332,537	70
			441,584	4,152,837	1,322

The revenue of the Target Business was derived from the sub-leasing of the housing units to the senior citizens and provision of assisted living services and other medical care services to the residents while the major expense items include personal care services cost, dietary cost, maintenance cost (including utility) and administrative cost.

According to the audited financial information of the Target Business, the net asset value of the Target Business as at 31 December 2010 and 2011 and 30 June 2012 was approximately HK$182.9 million HK$148.2 million and HK$135.4 million, respectively. The following table shows the audited results of the Target Business for the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 as extracted from the Accountant's report of the Target Business as included in Appendix II to this circular.

	Year ended 31 December		**Six months ended 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	269,099	284,510	143,018
Profit before and after taxation	12,133	7,587	9,167

The audited aggregated revenue and profit before and after taxation stated above are prepared in accordance with the Hong Kong Financial Reporting Standards, under which revenue is recognised when services are rendered.

The unaudited aggregate Net Operating Income generated from the Target Business for the three financial years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 is set out below:

	Year ended 31 December			**Six months ended 30 June**
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net Operating Income	84,180	92,303	93,132	43,241

The indicative market value of the Target Business was approximately US$127.4 million (equivalent to approximately HK$993.7 million) as advised by an independent professional valuer, CBRE, as of 31 October 2012.

Operational information of the Target Business are also set out below:

	Year ended 31 December			**Six months ended 30 June**
	2009	**2010**	**2011**	**2012**
Number of beds	1,310	1,310	1,322	1,322
Occupancy (%)	76.8	81.3	85.1	84.8

COMPLETION FOR THE PROPOSED ACQUISITION

Subject to the fulfillment or waiver (as the case may be) of the said conditions precedent, completion for the Proposed Acquisition is expected to take place on the Completion Date.

FUNDING FOR THE AGGREGATE CONSIDERATION FOR THE PROPOSED ACQUISITION

The aggregate consideration for the Proposed Acquisition of approximately US$124.0 million (equivalent to approximately HK$967.2 million) will be financed by internal resources and external financing of the Group, of which approximately US$89.5 million (equivalent to approximately HK$698.1 million) will be financed by mortgage loans of the Properties.

OPERATING ARRANGEMENT OF THE PROPERTIES UPON COMPLETION OF THE PROPOSED ACQUISITION

The existing manager of the Properties, Meridian Senior Living, is primarily engaged in the management of assisted living, memory care, and independent living communities throughout the US. To the best of the Directors' knowledge, information and belief after making reasonable enquiries, Meridian Senior Living and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Upon completion of the Proposed Acquisition, the NewCos (18 limited liability companies set up by the Meridian Senior Living) shall enter into the Master Lease Agreements with the Assignees and will be (i) responsible for obtaining and holding all governmental licenses required to operate the Target Business; (ii) responsible for the day-to-day operation of the Target Business pursuant to the Management Contracts with Meridian Senior Living; and (iii) entitled to a management fee which will be equivalent to 5% of revenue generated by the Target Business and certain performance incentive fees.

REASONS FOR THE PROPOSED ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the business of construction and engineering, insurance and investment, property, food and beverage, and computer and information communication technology.

As set out in the annual report of the Company for the year ended 31 March 2012, the Group entered into senior housing business in the US by acquiring three senior housing properties located at Oregon, US in June 2011 and has since recorded an occupancy rate at near 90% as well as a revenue of US$16.5 million (equivalent to approximately HK$128.7 million) for the nine months ended 31 March 2012. With the growing aged population and steady rise in healthcare expenditure in the US, the Directors anticipate that demand for senior citizen housing is to increase and this operation will continue to generate a stable operating income and offer capital appreciation potential of those properties in the future.

In view of this, the Company has engaged Kinetic Capital, an independent adviser and asset manager who also advised the Company in the abovementioned acquisition in June 2011, to assist in identifying investment targets, designing investment structure and devising post-investment plans for ongoing asset management and operations. In this instance, Kinetic Capital through its alliance with Strategic Capital worked together in identifying the Target Business with respect of the Proposed Acquisition. In return, Strategic Capital and Kinetic Capital shall receive consulting and asset management fees from the Group for providing advice to the Group on the Proposed Acquisition.

The Properties are currently being operated as senior housing facilities and are located at North Carolina, US, in which state the 75-plus aged population is expected to increase by approximately 205,794 or 36.2% from July 2012 through to July 2020 according to the Office of State Budget and Management of North Carolina's projection which was last updated on 8 May 2012.

In light of the above, the Directors are optimistic about the prospects of the operations of the Properties and consider that it is an opportune time to acquire the Properties to further diversify the Group's property portfolio. The Directors are also of the view that the Proposed Acquisition would generate stable operating income, provide capital appreciation potential to the Group, and defend the Group from economic depression by diversifying its portfolio to a relatively defensive property investment.

Taking into account the above factors, the Directors consider that the terms of the Assignments and the Proposed Acquisition including the aggregate consideration thereof are fair and reasonable and the Assignments and the Proposed Acquisition are in the interests of the Shareholders and the Company as a whole.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Assets and liabilities

Upon completion of the Proposed Acquisition, the Target Business would be indirectly wholly owned by the Company and its results would be consolidated with that of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon completion of the Proposed Acquisition, the consolidated total assets of the Enlarged Group would increase from approximately HK$10,975 million to approximately HK$11,664 million and the consolidated total liabilities of the Enlarged Group would increase from approximately HK$5,592 million to approximately HK$6,306 million.

The unaudited pro forma financial information 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 of the Enlarged Group as at the Completion Date or any future date. Moreover, since the actual fair values of the assets, liabilities and contingent liabilities of the Target Business at the Completion Date would be different from their estimated fair values used in the preparation of the unaudited pro forma financial information, the actual financial effects of the Proposed Acquisition might be materially different from the financial position as shown in Appendix III to this circular.

Earnings

It is expected that the Target Business will contribute positively to the results of the Group in the future after completion of the Proposed Acquisition.

LISTING RULES IMPLICATIONS

The Proposed Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and requires shareholders' approval pursuant to Rule 14.40 of the Listing Rules. The SGM will be convened to consider and, if thought fit, approve, among other things, the Assignment Agreement and the transactions contemplated thereunder. To the best knowledge of the Directors, no Shareholders have a material interest in the transactions contemplated under the Assignment Agreement. Accordingly, no Shareholders will be required to abstain from voting at the SGM.

Since the Vendors were only acquiring the Properties which did not include the holding companies of the Properties at the time when the Vendors acquired the Properties from the then owner in December 2009 (the "Previous Acquisition") and therefore save for certain unaudited income related financial information, the Vendors did not procure the financial statements and the relevant underlying books and records of the Target Business for the financial year ended 31 December 2009 (the "Prior Period") prior to the completion of the Previous Acquisition. Despite actions taken by the Vendors, the Vendors were unable to procure the financial statements and the relevant underlying books and records of the Target Business for the Prior Period, as such, the financial information, books and records required for the preparation of the financial statements of the Target Business for the Prior Period are inaccessible thus the Company has applied and been granted a waiver from strict compliance of Rules 14.67(6)(a)(i) and Rule 4.06 of the Listing Rules by the Stock Exchange, so that only the financial information of the Target Business for the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 is disclosed in this circular.

SGM

The SGM will be convened to consider and, if thought fit, approve the Assignment Agreement and the transactions contemplated thereunder.

A notice convening the SGM is set out on page 88 to 89 in this circular. Whether or not you intend to be present at the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, TRICOR STANDARD LIMITED at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, no Shareholder has a material interest in the Assignment Agreement and the Purchase and Sale Agreement and no Shareholder is required to abstain from voting on the resolution to approve the Assignment Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Directors are of the opinion that the terms and conditions of the Assignment Agreement and the Purchase and Sale Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders should vote in favour of the resolution to be proposed at the SGM to approve the Assignment Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board of
Chevalier International Holdings Limited
Chow Yei Ching
Chairman

FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 31 March 2010, 2011 and 2012 and the six months ended 30 September 2012 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chevalier.com):

- annual report of the Company for the year ended 31 March 2010 published on 30 July 2010 (pages 41 to 152);
- annual report of the Company for the year ended 31 March 2011 published on 27 July 2011 (pages 37 to 156);
- annual report of the Company for the year ended 31 March 2012 published on 27 July 2012 (pages 45 to 162); and
- interim results announcement of the Company for the six months ended 30 September 2012 published on 29 November 2012 (pages 1 to 12).

STATEMENT OF INDEBTEDNESS

Borrowings and debts

Borrowings

As at the close of business on 31 October 2012, being the latest practicable date for the purpose of this indebtedness statement, the Group had secured bank borrowings of HK$1,164 million and unsecured borrowings of HK$2,241 million.

The Target Business' borrowings will not be assigned to the Group pursuant to the Purchase and Sale Agreement.

Pledge of assets

As at the close of business on 31 October 2012, the Group had pledged its properties, inventories and bank deposits of HK$2,302 million, HK$16 million and HK$146 million respectively to secure the general banking facilities granted to the Group.

The Target Business' property, plant and equipment, other intangible asset, debtors, deposits and prepayments, and bank balances and cash had been pledged to secure borrowings granted to the Target Business.

Contingent liabilities

As at the close of business on 31 October 2012, the Group had contingent liabilities in respect of guarantees issued for backup banking facilities utilised by associates and a joint venture partner of HK$125 million and HK$168 million respectively.

The Target Business has no material contingent liabilities as at the close of business on 31 October 2012.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables, and receipt in advance as at 31 October 2012, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured, or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 October 2012.

WORKING CAPITAL

The Directors are of the opinion that, taking into account its internal resources and the existing available credit facilities of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Upon completion of the Proposed Acquisition, the Group will continue to be engaged in the business of construction and engineering, insurance and investment, property, food and beverage, and computer and information communication technology.

Generally speaking, there are still plenty of uncertainties in the global financial market. Europe is expected to go through a difficult process of macroeconomic rebalancing and adjustment which is expected to last for some time; in the US post presidency election, many are looking ahead to the fiscal cliff – a set of tax hikes and federal spending cuts set to start early next year; in Mainland China there are worries about the slowing down of the growth pace; all these factors lead to a more conservative approach from investors and companies. However, benefiting from the monetary stimulus imposed by globe central banks and low interest rate environment due to the implementation of quantitative easing by the US, it is expected that the low-interest investment environment will facilitate the property market and construction industry in Hong Kong and provide favourable condition to the Group to explore investment opportunities.

Hong Kong's booming construction industry continues to offer bright prospects for the construction and engineering segment of the Group. Nevertheless, manpower shortages in the construction industry may persist despite pay rises during the period. The manpower shortage, coupled with high rental cost are also affecting the Group's food and beverage segment. Facing the escalating costs under competitive operating environment in Hong Kong, the management of the Group has periodic review on its business units so as to improve the efficiency and overall effectiveness of its operations. The Group will conduct regular training and development programs to cultivate its talent and make certain that its people are equipped to face challenging operating environment.

Although the economy of Mainland China grew modestly during the first half of 2012, robust growth is still recorded in its domestic consumption. Given that millions of people are looking for quality homes in this era of urbanisation, with the increase in the average disposable income of the household, the management are confident that the property projects of the Group and its jointly controlled entities located in Beijing, Chengdu and Changchun will generate reasonable returns to the Group in the medium to long term.

With the increase in aged population in the US, the Group is optimistic about the recent expansion in North Carolina senior housing market. The management are of the view that the Proposed Acquisition would not only generate stable operating income but also provide capital appreciation potential to the Group. Notably its promising future will be a new source of revenue to the Group in the years to come.

Notwithstanding the above, the Enlarged Group will be subject to additional exposure to fluctuations in exchange rates between US dollar to the Enlarged Group's functional currency, being Hong Kong dollar. Furthermore, in the event that the Enlarged Group enters into foreign currency swap contracts to manage the aforesied exchange rate exposure, finance costs related to such contracts will increase accordingly. Subsequent to 30 September 2012, the Group has entered into contract in October to form a joint venture company with its partners to explore opportunities in agricultural sector in Australia.

Looking ahead, the Group will continue to seek new business opportunities in Hong Kong and abroad while leveraging its vast operational flexibility in order to seize the competitive edge on the global market.

1. ACCOUNTANT'S REPORT ON THE TARGET BUSINESS FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND SIX MONTHS ENDED 30 JUNE 2012

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

pwc 羅兵咸永道

5 December 2012

The Directors
Chevalier International Holdings Limited

Dear Sirs,

We report on the financial information of the operating business as senior housing facilities in the United States of America engaged by the companies as set out in note 1 of Section I below (the "Target Business"), which comprises the combined statements of financial position as at 31 December 2010 and 2011 and 30 June 2012, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Business for each of the years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Chevalier International Holdings Limited (the "Company") and is set out in Sections I to II below for inclusion in Appendix II to the circular of the Company dated 5 December 2012 (the "Circular") in connection with the proposed acquisition of the Target Business by the Company.

The Target Business was owned by FC Properties XVI, LLC., a limited liability company incorporated in Delaware, United States of America.

The directors of the Company have prepared combined financial statements of the Target Business for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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

The financial information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in note 2 of Section I below and in accordance with HKFRS issued by the HKICPA and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 March 2012.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in note 2 of Section I below, a true and fair view of the combined state of affairs of the Target Business as at 31 December 2010 and 2011 and 30 June 2012 and of the Target Business' combined results and cash flows for the Relevant Periods.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II to the Circular which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Target Business for the six months ended 30 June 2011 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in note 2 of Section I below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 March 2012.

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

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in note 2 of Section I below, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section I below.

I FINANCIAL INFORMATION OF THE TARGET BUSINESS

The following is the financial information of the Target Business prepared by the directors of the Company as at 31 December 2010 and 2011 and 30 June 2012 and for each of the years ended 31 December 2010 and 2011 and the six months ended 30 June 2011 and 2012 (the "Financial Information"):

(a) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		Six months ended 30 June	
	Note	**2010**	**2011**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	*5*	269,099	284,510	138,786	143,018
Cost of services		(193,936)	(207,785)	(102,131)	(105,814)
Gross profit		75,163	76,725	36,655	37,204
Loss on derivative financial instrument		(1,588)	(63)	(63)	–
Administrative expenses		(16,521)	(20,192)	(10,485)	(13,705)
Operating profit	*6*	57,054	56,470	26,107	23,499
Finance costs	*7*	(44,921)	(48,883)	(34,192)	(14,332)
Profit/(loss) before taxation		12,133	7,587	(8,085)	9,167
Income tax expense	*8*	–	–	–	–
Profit/(loss) for the year/period		12,133	7,587	(8,085)	9,167
Other comprehensive income/(expense) for the year/period					
Exchange differences		513	46	237	(190)
Total comprehensive income/(expense) for the year/period		12,646	7,633	(7,848)	8,977

(b) COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2010 HK$'000	As at 31 December 2011 HK$'000	As at 30 June 2012 HK$'000
Non-current assets				
Property, plant and equipment	*9*	392,701	376,939	364,609
Goodwill	*10*	306,306	306,306	305,912
Other intangible asset	*11*	46,270	46,270	46,211
		745,277	729,515	716,732
Current assets				
Debtors, deposits and prepayments	*12*	26,904	19,118	23,605
Derivative financial instrument	*13*	63	–	–
Bank balances and cash	*14*	13,944	10,907	5,469
		40,911	30,025	29,074
Current liabilities				
Creditors, accruals and other payables	*15*	17,458	18,224	22,923
Bank borrowings	*16*	9,289	9,976	10,302
		26,747	28,200	33,225
Net current assets/(liabilities)		14,164	1,825	(4,151)
Total assets less current liabilities		759,441	731,340	712,581
Capital and reserves				
Combined capital	*17*	201,500	201,500	201,500
Reserves	*18*	(18,591)	(53,340)	(66,058)
Total equity		182,909	148,160	135,442
Non-current liability				
Bank borrowings	*16*	576,532	583,180	577,139
Total equity and non-current liability		759,441	731,340	712,581

(c) COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2010 HK$'000	Year ended 31 December 2011 HK$'000	Six months ended 30 June 2011 HK$'000 (Unaudited)	Six months ended 30 June 2012 HK$'000
Operating activities					
Cash generated from operations	19	86,155	91,961	44,448	37,308
Interest paid		(44,212)	(38,240)	(23,677)	(14,332)
Net cash from operating activities		41,943	53,721	20,771	22,976
Investing activity					
Additions of property, plant and equipment and construction in progress		(3,701)	(10,564)	(6,479)	(1,474)
Net cash used in investing activity		(3,701)	(10,564)	(6,479)	(1,474)
Financing activities					
Repayment of bank borrowings		(1,153)	(10,543)	(5,512)	(11,958)
Proceeds from bank borrowings		–	6,731	6,731	6,713
Distribution paid		(29,019)	(42,382)	(21,560)	(21,695)
Net cash used in financing activities		(30,172)	(46,194)	(20,341)	(26,940)
Net increase/(decrease) in cash and cash equivalents		8,070	(3,037)	(6,049)	(5,438)
Cash and cash equivalents at beginning of the year/period		5,874	13,944	13,944	10,907
Cash and cash equivalents at end of the year/period		13,944	10,907	7,895	5,469
Analysis of cash and cash equivalents					
Bank balances and cash		13,944	10,907	7,895	5,469

(d) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Combined capital	Accumulated losses	Exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	201,500	(2,218)	–	199,282
Profit for the year	–	12,133	–	12,133
Exchange differences	–	–	513	513
Total comprehensive income for the year	–	12,133	513	12,646
Distribution paid	–	(29,019)	–	(29,019)
At 31 December 2010	201,500	(19,104)	513	182,909
At 1 January 2011	201,500	(19,104)	513	182,909
Profit for the year	–	7,587	–	7,587
Exchange differences	–	–	46	46
Total comprehensive income for the year	–	7,587	46	7,633
Distribution paid	–	(42,382)	–	(42,382)
At 31 December 2011	201,500	(53,899)	559	148,160
At 1 January 2011	201,500	(19,104)	513	182,909
Loss for the period	–	(8,085)	–	(8,085)
Exchange differences	–	–	237	237
Total comprehensive (expense)/ income for the period	–	(8,085)	237	(7,848)
Distribution paid	–	(21,560)	–	(21,560)
At 30 June 2011	201,500	(48,749)	750	153,501
At 1 January 2012	201,500	(53,899)	559	148,160
Profit for the period	–	9,167	–	9,167
Exchange differences	–	–	(190)	(190)
Total comprehensive income/ (expense) for the period	–	9,167	(190)	8,977
Distribution paid	–	(21,695)	–	(21,695)
At 30 June 2012	201,500	(66,427)	369	135,442

NOTES TO THE FINANCIAL INFORMATION

1 General information

Pursuant to an assignment agreement dated 11 October 2012, 18 wholly-owned subsidiaries (the "Assignees") of Chevalier International Holdings Limited (the "Company") have taken up the rights and obligations of Strategic Capital Group, LLC ("Strategic Capital") as purchaser under the purchase and sale agreement dated 7 June 2012 (as amended and supplemented on 30 July 2012, 17 August 2012, 23 August 2012, 30 August 2012, 7 September 2012 and 1 October 2012) entered into between vendors (as set out below) and Strategic Capital, in relation to the acquisition of the Target Business.

The Target Business' portfolio comprised of 18 assisted living nursing home facilities together with senior housing operation located at North Carolina, United States of America, as listed below.

- Albemarle House
- Canterbury House
- Caswell House
- Cedar Mountain House
- Cherry Springs Village
- The Covington
- Cranberry House
- Edenton House
- Hayesville House
- Kingsbridge House
- Magnolia Creek
- Oliver House
- Sharon Amity
- The Magnolia
- Wellington House
- Williamston House
- Windsor House
- Yancey House

The principal activity of the Target Business is provision of basic housing, assisted living services and other medical care services to the residents.

The Target Business was engaged by limited liability companies incorporated in the United States of America as listed below (the "Vendors").

Operators:
- Albemarle Operating AL, LLC
- Burnsville Operating AL, LLC
- Brevard North Operating AL, LLC
- Brevard South Operating AL, LLC
- Charlotte Operating AL, LLC
- Clinton Operating AL, LLC
- Edenton Operating AL, LLC
- Gastonia Operating AL, LLC
- Hayesville Operating AL, LLC
- Hendersonville Operating AL, LLC
- NC Operating AL, LLC
- Newland Operating AL, LLC
- Raleigh Operating AL, LLC
- Roxboro Operating AL, LLC
- Wendell Operating AL, LLC
- Williamston Operating AL, LLC
- Windsor Operating AL, LLC
- Winston-Salem Operating AL, LLC
- Yanceyville Operating AL, LLC

Properties Owners:
- Albemarle HCRE, LLC
- Burnsville HCRE, LLC
- Brevard North HCRE, LLC
- Brevard South HCRE, LLC
- Charlotte HCRE, LLC
- Clinton HCRE, LLC
- Edenton HCRE, LLC
- Gastonia HCRE, LLC
- Hayesville HCRE, LLC
- Hendersonville HCRE, LLC
- NC Landlord, LLC
- Newland HCRE, LLC
- Raleigh HCRE, LLC
- Roxboro HCRE, LLC
- Wendell HCRE, LLC
- Williamston HCRE, LLC
- Windsor HCRE, LLC
- Winston-Salem HCRE, LLC
- Yanceyville HCRE, LLC

These companies were owned by FC Properties XVI, LLC ("FC Properties"), a limited liability company incorporated in Delaware, United States of America.

FC Properties entered into a written operating management agreement with Meridian Senior Living, LLC ("Meridian"), a limited liability company incorporated in the United States of America, to manage senior housing operation.

2 Summary of significant accounting policies

(a) Basis of presentation

The Financial Information has been prepared to present the combined financial position, results of operation and cash flows of the Operators and Properties Owners as set out above which were controlled by FC Properties during the Relevant Periods and were managed together.

The Financial Information has been presented on a combined basis.

The Financial Information has been prepared in accordance with HKFRS and under the historical cost convention, as modified by the revaluation of derivative financial instrument.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Business' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

As at 30 June 2012, the Target Business had net current liabilities of HK$4,151,000. The directors of FC Properties have a reasonable expectation that the Target Business has adequate resources to continue in operational existence for the foreseeable future by generating positive cash flows from operation. The Target Business therefore continues to adopt the going concern basis in preparing the Financial Information.

Standards and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Target Business

The following new standards and amendments to existing standards relevant to the Target Business' operation have been issued but not yet effective for the financial year beginning on 1 January 2012 and have not been early adopted:

HKAS 1 (amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 32 (amendment)	Offsetting Financial Assets and Financial Liabilities
HKFRS 7 (amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 9	Financial Instruments
HKFRS 13	Fair Value Measurements
Annual Improvement Projects	Improvements to HKFRS published in June 2012

The directors of the Company have already commenced an assessment of the related impact on the Target Business but is not yet in a position to state whether there will be any substantial changes to the Target Business' significant accounting policies and presentation of financial information.

(b) Business combinations

The acquisition method of accounting is used to account for business combinations by the Target Business. The consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred and the entity interests issued by the Target Business. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date.

The excess of the consideration transferred over the fair value of the Target Business' share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquiree acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

On subsequent disposal of an acquiree, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Contingent liabilities are initially measured at fair value at the date of acquisition.

(c) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised in the combined statements of financial position when an 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 are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Business has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(i) Classification and measurement of financial assets

All financial assets are classified as 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 are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The Target Business uses allowance account to record the impairment for trade debtors.

Loans and receivables represent debtors, deposits and bank balances and cash.

(ii) Measurement of financial liabilities and equity

Financial liabilities including creditors, other payables and bank borrowings are measured at amortised cost, using the effective interest method after initial recognition.

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

(iii) Derivative

The Target Business uses derivative financial instrument to manage its exposure against interest rate risk. Such derivative is measured at fair value. Changes in fair value of such derivative is recognised directly in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates per annum:

	Annual charge
Buildings	27.5 years
Improvements	5 to 15 years
Furniture, fixtures and equipment	5 years

No depreciation is provided for freehold land and construction in progress during the phase of construction.

All direct costs relating to the construction of property, plant and equipment are capitalised as the cost of the assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Other intangible assets

On initial recognition, intangible assets acquired separately and in business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

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

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate current liability in the combined statements of financial position.

(g) Revenue recognition

Revenue from senior housing operation is recognised when services are rendered.

(h) Leases

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.

Rentals payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables 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.

(i) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

Provision for bonus plans are recognised when the Target Business has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement plans

Social security contribution is charged as an expense as and when they fall due.

(j) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Functional and presentation currency

The Target Business' functional currency is United States dollar.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target Business' operations are translated into the presentation currency of the Company in Hong Kong dollar at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, the exchange reserve.

(l) Impairment

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU"), or group of CGU, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

3 Financial risk management objectives and policies

The Target Business' major financial instruments include debtors, deposits, derivative financial instrument, bank balances and cash, creditors, other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how the Target Business mitigates risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

3.1 Financial risk factors

(a) Interest rate risk

The Target Business' interest rate risk arises from bank borrowings and floating and fixed rate bank deposits. Majority of the Target Business' bank borrowings carry interest at floating rate and expose the Target Business to cash flow interest rate risk. The management monitors interest rate exposure and manages significant interest rate exposure by using financial instrument such as interest rate cap. However, the instrument is not qualified for hedge accounting.

At 31 December 2010 and 2011 and 30 June 2012, if interest rates had been increased/ decreased by one percentage point with all other variables held constant, the post-tax profit of the Target Business, excluding impact of fair value changes of derivative financial instrument, would decrease/increase by HK$5,718,000, HK$5,822,500 and HK$5,819,700 respectively resulting from the change in the borrowing costs of bank borrowings and finance income of bank deposits.

(b) Credit risk

Principal financial assets consist of debtors, deposits, derivative financial instrument and bank balances. The Target Business' maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Debtors may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Some of the residents are eligible for Medicaid program under Department of Social Services of North Carolina, revenue for services rendered to these residents is reimbursed by the government while some of the residents are responsible for payment of services rendered to themselves. The average credit period granted to trade debtors was 7 days. The Target Business reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. Refer to note 12 for the analysis of impaired and past due trade debtors.

Derivative financial instrument and bank balances are limited to financial institutions with high credit quality. The Target Business controls its credit risk to non-performance by its counterparties through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

(c) Liquidity risk

The Target Business aims to maintain prudent liquidity risk management and flexibility in funding by keeping sufficient cash equivalents.

The management of the Target Business believes that the Target Business has sufficient cash equivalents for working capital purposes.

The Target Business' liquidity position and compliance with loan covenants are monitored closely by the management of the Target Business. The following table details the Target Business' contractual maturity for its financial liabilities at the reporting date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Business can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	Total undiscounted cashflows
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2010				
Bank borrowings	49,238	49,152	693,150	791,540
Creditors, accruals and other payables	17,458	–	–	17,458
	66,696	49,152	693,150	808,998
As at 31 December 2011				
Bank borrowings	38,173	38,389	654,621	731,183
Creditors, accruals and other payables	18,224	–	–	18,224
	56,397	38,389	654,621	749,407
As at 30 June 2012				
Bank borrowings	38,230	38,452	647,382	724,064
Creditors, accruals and other payables	22,923	–	–	22,923
	61,153	38,452	647,382	746,987

3.2 Capital risk management

The Target Business' objectives when managing capital are to safeguard the Target Business' ability to continue as a going concern while maximising returns to members through optimisation of the debt and equity balance. The Target Business defines capital as equity plus bank borrowings as disclosed in the combined statements of financial position.

The Target Business regularly and closely reviews and manages its capital structure to provide cost efficient funding to the Target Business and make adjustments to the capital structure in light of changes of economic conditions or corporate needs.

The net debt to equity ratio was calculated as follows:

	As at 31 December 2010 HK$'000	As at 31 December 2011 HK$'000	As at 30 June 2012 HK$'000
Total debt	585,821	593,156	587,441
Less: Bank balances and cash	(13,944)	(10,907)	(5,469)
Net debt	571,877	582,249	581,972
Total equity	182,909	148,160	135,442
Net debt to equity ratio	313%	393%	430%

As at the end of each reporting periods, the Target Business has compiled with capital requirements as specified in the bank borrowings agreements.

3.3 Fair value estimation

The carrying amounts of debtors, deposits, bank balances and cash, creditors, other payables and current portion of bank borrowings approximate their fair values due to their short maturities.

The carrying amount of non-current portion of bank borrowings approximates its fair value as it carried interest at floating rate.

The derivative financial instrument falls into level 2 fair value measurement hierarchy (inputs other than quoted prices in an active market but are observable for asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)).

4 Critical accounting estimates and judgements

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

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

(a) Estimated impairment of operating assets within CGU (including goodwill and other intangible asset)

The Target Business tests annually whether operating assets within CGU (including goodwill and other intangible asset) has suffered any impairment in accordance with accounting policy stated in note 2(l) to the Financial Information. The recoverable amounts of CGU have been determined based on value-in-use calculations or its fair value less cost to sell, whichever is higher, and both bases require the Target Business to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to notes 10 and 11 for details.

(b) Estimated useful lives of property, plant and equipment and other intangible asset

The Target Business' management determines the estimated useful lives and consequent related depreciation and amortisation rate (if any) for its property, plant and equipment and other intangible asset. These estimates are based on the historical experience of the actual useful lives of comparable assets in the industry. Actual economic life may vary from estimated useful life. Periodic review could result in a change in depreciable or amortisable lives and consequently increase or decrease in depreciation or amortisation expenses in future periods.

(c) Recoverability of trade debtors and provision for bad debts

The Target Business' management estimates recoverability of trade debtors and provision for bad debts based on payment and past collection history, taking into consideration the ageing of trade debtors. From time to time, trade debtors are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances. Trade debtors written off are taken on a case by case basis when the collection efforts are exhausted. Where significant change in collection experience, deterioration in the ageing of debtors and collection difficulties encountered and delay in receiving the imbursement from government or from residents, material trade debtors write off or provision for bad debts may arise.

5 Revenue

The Target Business is principally engaged in the senior housing operation and therefore management considers that the Target Business operates in one single business segment.

Revenue is generated from (i) residents who are eligible for Medicaid under Department of Social Services of North Carolina and (ii) private residents.

Revenue recognised during the year/period is as follows:

	Year ended 31 December		**Six months ended 30 June**	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Medicaid residents	201,995	215,989	103,794	107,748
Private residents	67,104	68,521	34,992	35,270
Total	269,099	284,510	138,786	143,018

6 Expense by nature

Operating profit has been arrived at after charging the following:

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Charge within cost of services				
Depreciation of property, plant and equipment *(note 9)*	25,352	26,347	13,174	13,318
Management fee paid to Meridian	13,447	14,222	6,937	7,110
Asset management fee paid to a related party *(note 21(a))*	4,196	4,285	2,143	2,180
Staff costs				
– Wages and salaries	101,102	107,558	53,169	54,970
– Social security costs	8,511	9,135	4,524	4,660
Operating lease payments in respect of renting of equipment	452	468	224	253
Charge within administrative expenses				
Provision for bad debts	2,320	3,697	2,091	4,199
Auditors' remuneration	1,125	1,688	788	844

No emoluments were paid or are payable to any director of Target Business for the years ended 31 December 2011 and 2012 and six months ended 30 June 2011 and 2012.

The five individuals whose emoluments were the highest in the Target Business and their emoluments payable during the year/period, are as follows:

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Salaries	4,646	4,621	2,492	2,190
Social security costs	355	353	191	168
Total	5,001	4,974	2,683	2,358

The emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
			(Unaudited)	
Emolument bands *(in HK dollar)*				
HK$1 – HK$500,000	–	–	2	4
HK$500,001 – HK$1,000,000	4	3	3	1
HK$1,000,001 – HK$1,500,000	1	2	–	–
Total	5	5	5	5

7 Finance costs

	Year ended 31 December		Six months ended 30 June	
	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Interest expense on bank borrowings wholly repayable within 5 years	44,921	48,883	34,192	14,332

8 Income tax expense

As detailed in note 1 to the Financial Information, the Target Business is engaged by limited liability companies and these companies are owned by FC Properties. FC Properties is treated as a partnership for tax purposes. The members of FC Properties are directly liable for their proportionate shares of tax liability arising from the Target Business. Therefore, no provision for federal or state income taxes is reflected in the Financial Information.

The Target Business is subject to income tax at progressive income tax rate ranged between 7% to 38% if it had not been treated as a partnership for tax purposes. The Target Business recorded a tax loss of HK$20,580,360 and HK$11,912,900 for the years ended 31 December 2010 and 2011 and taxable profit of HK$587,400 for the six months ended 30 June 2012 (Six months ended 30 June 2011 (unaudited): tax loss of HK$21,188,900).

9 Property, plant and equipment

	Freehold land	Construction in progress	Buildings and improvements	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2010	42,680	–	301,069	70,302	414,051
Exchange realignment	110	–	778	181	1,069
Additions	–	2,463	410	828	3,701
At 31 December 2010	42,790	2,463	302,257	71,311	418,821
Exchange realignment	–	–	(9)	(2)	(11)
Additions	–	7,043	922	2,599	10,564
Transfer to property, plant and equipment	–	(9,506)	9,506	–	–
At 31 December 2011	42,790	–	312,676	73,908	429,374
Exchange realignment	(54)	–	(403)	(94)	(551)
Additions	–	–	1,053	421	1,474
At 30 June 2012	42,736	–	313,326	74,235	430,297
At 1 January 2011	42,790	2,463	302,257	71,311	418,821
Exchange realignment	55	3	388	93	539
Additions	–	4,708	65	1,705	6,478
At 30 June 2011	42,845	7,174	302,710	73,109	425,838

	Freehold land	Construction in progress	Buildings and improvements	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment					
At 1 January 2010	–	–	347	418	765
Exchange realignment	–	–	2	1	3
Charge for the year	–	–	11,562	13,790	25,352
At 31 December 2010	–	–	11,911	14,209	26,120
Exchange realignment	–	–	(14)	(18)	(32)
Charge for the year	–	–	11,956	14,391	26,347
At 31 December 2011	–	–	23,853	28,582	52,435
Exchange realignment	–	–	(30)	(35)	(65)
Charge for the period	–	–	6,017	7,301	13,318
At 30 June 2012	–	–	29,840	35,848	65,688
At 1 January 2011	–	–	11,911	14,209	26,120
Exchange realignment	–	–	15	18	33
Charge for the year	–	–	5,978	7,196	13,174
At 30 June 2011	–	–	17,904	21,423	39,327
Carrying value					
At 30 June 2012	42,736	–	283,486	38,387	364,609
At 30 June 2011	42,845	7,174	284,806	51,686	386,511
At 31 December 2011	42,790	–	288,823	45,326	376,939
At 31 December 2010	42,790	2,463	290,346	57,102	392,701

Freehold land and property were situated at the United States of America. Property, plant and equipment were pledged to a bank for the purpose of securing bank borrowings granted to the Target Business as detailed in note 16 to the Financial Information.

10 Goodwill

	As at 31 December 2010	2011	As at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year/period	305,517	306,306	306,306
Exchange realignment	789	–	(394)
At end of the year/period	306,306	306,306	305,912

Goodwill acquired in business combinations is tested annually for impairment, or more frequently if there are indications that they might be impaired.

A group of CGUs to which goodwill has been allocated is tested for impairment annually. The recoverable amount of the group of CGUs is determined from value-in-use calculations approach. The calculation uses cash flow projections based on budgets approved by management covering five-year period. Cash flows beyond the five-year period are extrapolated using a 3% growth rate per annum and a discount rate of 12% per annum. Management determined budgeted cash flows and growth rate based on past performance and its expectation of market development. The Target Business' management has assessed if discount rate has been 1% higher with no growth per annum and with all other variables held constant, it would not cause the carrying amount of the group of CGUs to exceed its recoverable amount as at 31 December 2010 and 2011 and 30 June 2012.

11 Other intangible asset

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year/period	46,151	46,270	46,270
Exchange realignment	119	–	(59)
At end of the year/period	46,270	46,270	46,211

Other intangible asset represents certificates of need which is a legal document required in North Carolina before proposed acquisitions, expansions or creation of senior housing facilities are allowed. These certificates are transferable and with indefinite useful life.

Other intangible asset is tested for impairment as part of the CGU in which it belongs and the recoverable amount of CGU is determined using value-in-use calculation approach as detailed in note 10.

12 Debtors, deposits and prepayments

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Trade debtors	9,564	13,350	17,136
Less: Provision for impairment	(2,320)	(6,012)	(10,203)
Trade debtors, net	7,244	7,338	6,933
Other debtors, deposits and prepayments	1,571	2,378	2,948
Balances held by financial institution in relation to borrowings	15,319	6,042	8,012
Balances held on behalf of residents *(note 15)*	2,770	3,360	5,712
	26,904	19,118	23,605

The ageing analysis of trade debtors is as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
0 – 60 days	7,244	7,338	6,933

At 31 December 2010, 31 December 2011 and 30 June 2012, gross trade debtors totalling HK$2,320,000, HK$6,012,000 and HK$10,203,000 respectively were individually determined to be impaired. The management assessed that these balances is not expected to be recovered and consequently, full provision for impairment of HK$2,320,000, HK$6,012,000 and HK$10,203,000 was recognised as at 31 December 2010, 31 December 2011 and 30 June 2012 respectively. The Target Business does not hold any collateral over these balances. The movement in the provision for impairment during the year/period is as follows:

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year/period	–	2,320	6,012
Impairment loss recognised	2,320	3,697	4,199
Exchange realignment	–	(5)	(8)
At end of the year/period	2,320	6,012	10,203

The ageing analysis of trade debtors that are not considered to be impaired is as follows:

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	5,469	6,024	2,378
Up to 60 days past due but not impaired	1,775	1,314	4,555
	7,244	7,338	6,933

Balances held by financial institution in relation to borrowings consist principally of deposits required by lender pursuant to the borrowing agreement for payment of mainly real estate tax.

The carrying amounts of debtors and deposits are denominated in the United States dollar.

13 Derivative financial instrument

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Interest rate cap	63	–	–

Interest rate cap contract with a notional amount of US$212,500 (equivalent to HK$1,651,000) was entered to manage the floating interest of its long-term borrowings. The contract matured within the period from 1 May 2010 to 31 December 2011.

14 Bank balances and cash

	As at 31 December 2010	2011	As at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and in hand	13,944	10,907	5,469

All bank balances and cash are denominated in the United States dollar.

15 Creditors, accruals and other payables

	As at 31 December 2010	2011	As at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
Trade creditors	2,095	3,739	5,975
Accrued payroll	5,200	5,451	5,058
Balances due to residents *(note 12)*	2,770	3,360	5,712
Other creditors and accruals	7,393	5,674	6,178
	17,458	18,224	22,923

Balances due to residents represent trust money held on behalf of residents, which are interest-free and paid on request from residents.

The ageing analysis of trade creditors is as follows:

	As at 31 December 2010	2011	As at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
0 – 60 days	2,076	3,737	5,975
61 – 90 days	19	2	–
	2,095	3,739	5,975

Creditors and other payables are denominated in the United States dollar.

16 Bank borrowings

	As at 31 December 2010	2011	As at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
Total borrowings	585,821	593,156	587,441
Less: Amounts due within one year shown under current liabilities	(9,289)	(9,976)	(10,302)
	576,532	583,180	577,139

Bank borrowings were repayable as follows:

	As at 31 December 2010	2011	As at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
Within one year	9,289	9,976	10,302
Between one to two years	9,826	10,666	11,014
Between two and five years	566,706	572,514	566,125
	585,821	593,156	587,441

The bank borrowings are secured by property, plant and equipment, other intangible asset, debtors, deposits and prepayments, and bank balances and cash and the effective interest rates of bank borrowings for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 were 6.95%, 5.65% and 4.87% respectively.

Bank borrowings are denominated in the United States dollar.

17 Combined capital

	HK$'000
At 1 January 2010, 31 December 2010, 2011 and 30 June 2012	201,500

Balance represents capital contributed by members of Operators and Properties Owners as detailed in note 1 to the Financial Information.

18 Reserves

	Accumulated losses *HK$'000*	**Exchange reserve** *HK$'000*	**Total** *HK$'000*
At 1 January 2010	(2,218)	–	(2,218)
Profit for the year	12,133	–	12,133
Exchange differences	–	513	513
Total comprehensive income for the year	12,133	513	12,646
Distribution paid	(29,019)	–	(29,019)
At 31 December 2010	(19,104)	513	(18,591)
At 1 January 2011	(19,104)	513	(18,591)
Profit for the year	7,587	–	7,587
Exchange differences	–	46	46
Total comprehensive income for the year	7,587	46	7,633
Distribution paid	(42,382)	–	(42,382)
At 31 December 2011	(53,899)	559	(53,340)
At 1 January 2011	(19,104)	513	(18,591)
Loss for the period	(8,085)	–	(8,085)
Exchange differences	–	237	237
Total comprehensive (expense)/income for the period	(8,085)	237	(7,848)
Distribution paid	(21,560)	–	(21,560)
At 30 June 2011	(48,749)	750	(47,999)
At 1 January 2012	(53,899)	559	(53,340)
Profit for the year	9,167	–	9,167
Exchange differences	–	(190)	(190)
Total comprehensive income/(expense) for the period	9,167	(190)	8,977
Distribution paid	(21,695)	–	(21,695)
At 30 June 2012	(66,427)	369	(66,058)

19 Note to the combined statements of cash flows

Reconciliation of profit/(loss) before taxation to cash generated from operations:

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Profit/(loss) before taxation	12,133	7,587	(8,085)	9,167
Adjustment for:				
Depreciation	25,352	26,347	13,174	13,318
Interest expenses	44,921	48,883	34,192	14,332
Operating cash flows before movements in working capital:	82,406	82,817	39,281	36,817
Debtors, deposits and prepayments	(7,870)	7,786	4,645	(4,511)
Creditors, accruals and other payables	12,375	766	207	4,722
Exchange differences	(756)	592	315	280
Cash generated from operations	86,155	91,961	44,448	37,308

20 Commitments

(a) Operating lease commitment

The Target Business' future aggregate minimum lease payments under non-cancellable operating leases in respect of renting of equipment are as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	324	211	273
In the second to fifth year inclusive	169	197	249
	493	408	522

(b) Capital commitment

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for in relation to property, plant and equipment	7,385	1,563	1,561

21 Related party transactions

(a) Transactions with related party

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Asset management fee paid to a related party	4,196	4,285	2,143	2,180

Asset management fee is paid to a company owned by a member of FC Properties, regarded as a related party in accordance with HKFRS, on terms agreed between the parties involved.

(b) Key decisions of the Target Business are made by the Management Committee of FC Properties but not by any employee of the Target Business. Accordingly, no compensation was paid to any key management during the years ended 31 December 2010 and 2011 and six months ended 30 June 2011 and 2012.

22 Event after the end of reporting period

There have been no events subsequent to period ended 30 June 2012 which require adjustment or disclosure in the Financial Information in accordance with HKFRS.

II SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRS by the Target Business in respect of any period subsequent to 30 June 2012.

No distribution have been declared or paid by the Target Business in respect of any period subsequent to 30 June 2012.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET BUSINESS

Set out below is the management discussion and analysis on the Target Business for the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012.

Business review

As mentioned in the section headed "Business to be acquired under the Proposed Acquisition" of the "Letter from the Board", the Target Business is the Properties' operation as senior housing facilities and therefore the Directors consider that the Target Business operates in one single business segment. The revenue of the Target Business was derived from the sub-leasing of the housing units to and provision of assisted living services and other medical care services to (i) residents who are eligible for the Medicaid under Department of Social Services of North Carolina (the "Medicaid Residents") and (ii) private residents.

Significant investments

There were no significant investments made by the Target Business during the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012.

Financial review, liquidity and financial resources

The Target Business recorded revenue for the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 of approximately HK$269.1 million, HK$284.5 million, and HK$143.0 million respectively. A breakdown of the Target Business' revenue is set out below:

	Year ended 31 December		**Six months ended 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Medicaid Residents	201,995	215,989	107,748
Private residents	67,104	68,521	35,270
	269,099	284,510	143,018
Gross profit margin (%)	27.9	27.0	26.0

The Target Business recorded gross profit margin for the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 of approximately 27.9%, 27.0% and 26.0% respectively. In relation to the cost of services of the Target Business, staff costs and depreciation accounted for approximately 56% and 13% of its total cost of services respectively.

Operational information of the Target Business are set out below:

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
Number of beds	1,310	1,310	1,322	1,322
Occupancy (%)	76.8	81.3	85.1	84.8

The increase in the revenue of the Target Business for the year ended 31 December 2011 was due to the expansion of one of the Properties – Albemarle House and the increase in overall occupancy rate from 81.3% for the year ended 31 December 2010 to 85.1% for the year ended 31 December 2011. Revenue for the six months ended 30 June 2012 is in line with the revenue for the same period in 2011 on a pro-rata basis due to a mix shift to higher-paid memory care residents which is partially offset by a slight decrease in overall occupancy.

Gross profit margin for the year ended 31 December 2010 and 2011 were 27.9% and 27.0% respectively whereas the gross profit margin for the six month ended 30 June 2012 was 26.0%. Such decrease in gross profit margin was due to the ongoing inflationary pressure on cost which was not matched by a corresponding increase in revenue per resident. The Company intends to make capital improvement on the Properties upon completion of the Proposed Acquisition which will (i) attract more private residents and (ii) increase the rate charged on private residents.

As at 31 December 2010 and 2011 and 30 June 2012, the Target Business had total non-current assets of approximately HK$745.3 million, HK$729.5 million and HK$716.7 million respectively, which mainly represented property, plant and equipment and goodwill. The Target Business recorded net current assets/(liabilities) of approximately HK$14.2 million, HK$1.8 million and HK$(4.2) million as at 31 December 2010 and 2011 and 30 June 2012 respectively, which comprised mainly trade debtors, balances held by financial institution in relation to borrowings, creditors, bank balances and cash and bank borrowings.

The gearing ratios of the Target Business measured on the basis of total liabilities as a percentage of total equity were approximately 329.8%, 412.6% and 450.6% as at 31 December 2010 and 2011 and 30 June 2012 respectively.

Foreign exchange exposure

For the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012, all the business operation of the Target Business took place in US. The Target Business is not expected to expose to significant foreign exchange risk as all monetary assets and liabilities are denominated in US dollar. Accordingly, the Target Business did not have any foreign currency hedging policies as at 31 December 2010 and 2011 and 30 June 2012.

Material acquisitions and disposals

There were no material acquisitions or disposals of subsidiaries and associated companies by the Target Business during the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012.

Contingent liabilities and capital commitments

As at 31 December 2010 and 2011 and 30 June 2012, the Target Business did not have any material contingent liabilities.

The following table shows the capital commitment of the Target Business as at 31 December 2010 and 2011 and 30 June 2012 as extracted from the Accountant's report of the Target Business as included in Appendix II to this circular.

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for in relation to property, plant and equipment	7,385	1,563	1,561

Pledge of assets

Property, plant and equipment, other intangible asset, debtors, deposits and prepayments, and bank balances and cash of the Target Business were pledged for the bank borrowings as at 31 December 2010 and 2011 and 30 June 2012.

Future plans for capital assets

The Properties, being the principal asset of the Target Business, would continue to be operated as senior housing facilities and there are no other future plans for the Properties.

Expected sources of funding

The future operation of the Target Business will be financed by internal resources obtained from the Group and external funding.

Employees and remuneration policy

As at 31 December 2010 and 2011 and 30 June 2012, the Target Business had 877, 896 and 915 employees respectively. The remuneration policy and package of the Target Business' employees are maintained at market level and reviewed annually. Apart from basic salaries, the Target Business also provides other employee benefits such as social security including medical and retirement funds, etc.

3. FINANCIAL AND TRADING PROSPECTS OF THE TARGET BUSINESS

It is expected that the Target Business will continue to be operated as senior housing facilities and as set out in the section headed "Operating arrangement of the Properties upon completion of the Proposed Acquisition" of the "Letter from the Board", upon completion of the Proposed Acquisition, the NewCos (18 limited liability companies set up by the Meridian Senior Living) shall enter into the Master Lease Agreements with the Assignees and will be (i) responsible for obtaining and holding all governmental licenses required to operate the Target Business; (ii) responsible for the day-to-day operation of the Target Business pursuant to the Management Contracts with Meridian Senior Living; and (iii) entitled to a management fee which will be equivalent to 5% of revenue generated by the Target Business and certain performance incentive fees.

The future profitability of the Target Business may be adversely influenced by a downturn in US economy. In addition, as disclosed in the "Letter from the Board", upon completion of the Proposed Acquisition, the NewCos (18 limited liability companies set up by the Meridian Senior Living) shall enter into the Master Lease Agreements with the Assignees and will, among other things (i) be responsible for obtaining and holding all governmental licenses required to operate the Target Business; and (ii) be responsible for the day-to-day operation of the Target Business pursuant to the Management Contracts with Meridian Senior Living. The Enlarged Group has no assurance that the Target Business will continue to perform under the management of Meridian Senior Living and that the historical financial information of the Target Business may not necessarily reflect its financial performance in the future.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the Proposed Acquisition, as if it has taken place in 30 September 2012. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed on 30 September 2012 or any future date.

			Pro forma adjustments					
	Unaudited statement of assets and liabilities of the Group as at 30 September 2012	**Audited statement of assets and liabilities of the Target Business as at 30 June 2012**						**Unaudited pro forma statement of assets and liabilities of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
Non-current assets								
Investment properties	2,778,978	–						2,778,978
Property, plant and equipment	1,370,772	364,609		29,275				1,764,656
Prepaid lease payments	151	–						151
Goodwill	129,683	305,912		267,404	(31,200)			671,799
Other intangible assets	30,631	46,211		(46,211)				30,631
Interests in associates	971,990	–						971,990
Interests in jointly controlled entities	659,775	–						659,775
Available-for-sale investments	201,372	–						201,372
Properties under development	836,885	–						836,885
Deferred tax assets	13,581	–						13,581
Other non-current assets	87,114	–						87,114
	7,080,932	716,732						8,016,932
Current assets								
Amounts due from associates	19,608	–						19,608
Amounts due from jointly controlled entities	622,149	–						622,149
Investments at fair value through profit or loss	255,110	–						255,110
Inventories	170,405	–						170,405
Properties for sale	69,007	–						69,007
Debtors, deposits and prepayments	1,233,562	23,605	(8,012)		31,200		(3,259)	1,277,096
Amounts due from customers for contract work	167,279	–						167,279
Derivative financial instruments	57,647	–						57,647
Prepaid tax	1,668	–						1,668
Bank balances and cash	1,297,846	5,469	(5,469)			(261,770)	(28,539)	1,007,537
	3,894,281	29,074						3,647,506

	Unaudited statement of assets and liabilities of the Group as at 30 September 2012	Audited statement of assets and liabilities of the Target Business as at 30 June 2012	Pro forma adjustments					Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
Current liabilities								
Amounts due to associates	6,417	–						6,417
Amounts due to non-controlling interests	6,143	–						6,143
Dividend payable to non-controlling interests	3,154	–						3,154
Amounts due to customers for contract work	712,091	–						712,091
Derivative financial instruments	42,039	–						42,039
Dividend payable	25,939	–						25,939
Creditors, bills payable, deposits and accruals	951,851	22,923						974,774
Unearned insurance premiums and unexpired risk reserves	127,472	–						127,472
Outstanding insurance claims	238,121	–						238,121
Deferred income	21,516	–						21,516
Current income tax liabilities	56,695	–						56,695
Bank borrowings	850,322	10,302	(10,302)			24,960	(2,326)	872,956
	3,041,760	33,225						3,087,317
Net current assets/(liabilities)	852,521	(4,151)						560,189
Total assets less current liabilities	7,933,453	712,581						8,577,121
Non-current liabilities								
Unearned insurance premiums	86,225	–						86,225
Bank borrowings	2,297,564	577,139	(577,139)			673,140	(4,653)	2,966,051
Deferred tax liabilities	166,197	–						166,197
	2,549,986	577,139						3,218,473
Net assets	5,383,467	135,442						5,358,648

Notes to the unaudited pro forma financial information of the Enlarged Group:

1. The assets and liabilities of the Group as at 30 September 2012 are extracted from the unaudited interim results announcement of the Company for the six months ended 30 September 2012.

2. The assets and liabilities of the Target Business as at 30 June 2012 are extracted from the accountant's report of the Target Business as set out in Appendix II of this circular.

   There was no tax related assets and liabilities of the Target Business as at 30 June 2012 because the Target Business is engaged by limited liability companies and these companies are owned by FC Properties. FC Properties is treated as a partnership for tax purposes. The members of FC Properties are directly liable for their proportionate shares of tax liability arising from the Target Business. Therefore, no provision for federal or state income taxes is made.

3. Pursuant to the Purchase and Sale Agreement, the Proposed Acquisition only comprised of property, plant and equipment and working capital but excluded bank balances and cash, bank borrowings and balances held by financial institution in relation to borrowings of the Target Business. The adjustment excluded bank balances and cash, bank borrowings and balances held by financial institution in relation to borrowings of the Target Business.

4. The adjustment represents the re-measurement of identifiable assets and liabilities of the Target Business based on their respective fair values estimated by the Company with reference to valuation performed by an independent valuer, CBRE. The amount in excess of the fair value of the net identifiable assets of the Target Business over the cost of acquisition of US$124.0 million amounting HK$542.1 million is treated as goodwill.

   CBRE has relied on the direct comparison approach to assess the market value of each of subject trade related property interests. In the valuation, comparables of similar trade related property interests with similar operations, sizes, character and location are collected and analysed and then carefully weighted against all respective advantages and disadvantages of each property interest to arrive at a fair comparison of value. (Please refer to Appendix IV to the circular)

   The Group is required under Hong Kong Financial Reporting Standard ("HKFRS") 3 to recognise the Target Business' identifiable assets and liabilities at their fair values as at the Completion Date. Since the fair values of the identifiable assets and liabilities of the Target Business as at the Completion Date may be different from their fair values used in the preparation of the above Unaudited Pro Forma Financial Information, the actual amount in excess of the fair value of the net identifiable assets of the Target Business over the consideration may be different from the estimated amount shown in this Appendix.

   For the purpose of the Unaudited Pro Forma Financial Information, management is of the view that no impairment assessment on the goodwill and the intangible assets is necessary with reference to the valuation report of the Target Business as set out in Appendix IV. Such assessment is conformed with the Group's accounting policies and the Group will continue to apply such policies in future assessment.

   Other intangible asset represent the recognition of certificates of need by the Vendors in previous years. The certificates of need is a legal document required in North Carolina before any proposed acquisitions, expansions or creation of senior housing facilities is allowed. Management of the Company considered that the fair value of the certificates of need cannot be reliably separately measured upon re-measurement of identifiable assets and liabilities of the Target Business in accordance with HKFRS 3.

   No deferred tax liability is recognised as there will be no material difference between the tax bases and carrying value of the assets acquired.

5. The adjustment represents a receivable of US$4.0 million from the Vendors as estimated cost of maintenance on the Properties pursuant to the Purchase and Sale Agreement.

6. The adjustment represents settlement of purchase consideration by way of cash and proposed new bank loan.

   Pursuant to the Purchase and Sale Agreement, consideration shall be adjusted if the closing working capital is different from the base working capital as defined in the Purchase and Sale Agreement. The final adjusted consideration may be changed if the closing working capital upon Completion is different from the above presentation.

7. The adjustment is to reflect the settlement of transaction related costs, including loan arrangement fees and other professional expenses.

   As part of the Proposed Acquisition, Kinetic Capital is entitled to a payment in future based on actual proceeds upon disposal of the Target Business by the Group (if the Target Business is disposed of before the eighth anniversary of the Proposed Acquisition) or based on value to be determined by a third party valuer (if the Target Business is not disposed of by the eighth anniversary of the Proposed Acquisition). Management of the Company considered the liability to be recognised under this arrangement as at 30 September 2012 is not material and management will reassess the liablity amount at subsequent financial reporting period ends.

8. No adjustments have been made to reflect any trading results or other transactions of the Group and the Target Business entered into subsequent to 30 September 2012 and 30 June 2012 respectively.

2. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF CHEVALIER INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 52 to 54 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 5 December 2012 (the "Circular") of Chevalier International Holdings Limited (the "Company"), in connection with the proposed acquisition of senior housing business (the "Transaction") by the Company. 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 Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 52 to 54 of the Circular.

Respective responsibilities of directors of the Company and the reporting accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted unaudited consolidated statement of assets and liabilities as at 30 September 2012 with the unaudited published condensed consolidated financial information of the Company for the six months ended 30 September 2012 as set out in the announcement of the Company, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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 4.29(1) of the 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 Group as at 30 September 2012 or any future date.

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 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 December 2012

CBRE

4/F Three Exchange Square
8 Connaught Place
Central, Hong Kong
T 852 2820 2800
F 852 2810 0830

香港中環康樂廣場八號交易廣場第三期四樓
電話 852 2820 2800 傳真 852 2810 0830

www.cbre.com.hk

地產代理(公司)牌照號碼
Estate Agent's License No: C-004065

5 December 2012

Chevalier International Holdings Limited
22nd Floor Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

Dear Sirs,

RE: VALUATION OF VARIOUS TRADE RELATED PROPERTIES IN NORTH CAROLINA, THE UNITED STATES OF AMERICA

In accordance with the instruction from Chevalier International Holdings Limited (the "Company") and its subsidiaries (together as the "Group") for us to value certain trade related property interests in the United States of America ("USA"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 31 October 2012 (the "date of valuation").

In valuing the property interests, we have complied with relevant requirements contained in Chapter 5 of the Rules Governing the Listing of Securities (the "Exchange Listing Rules") issued by the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (1st Edition) published by The Hong Kong Institute of Surveyors ("HKIS"), "The International Valuation Standards, Ninth Edition (2011)" published by the International Valuation Standards Council and "Uniform Standards of Professional Appraisal Practice" published by The Appraisal Standards Board of The Appraisal Foundation.

We have valued the property interests on the basis of Market Value which is defined to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In view of the nature of the property interests, the valuation of this type of trade related property interests is typically that of a going concern basis and includes land, buildings, furniture, trade fixtures and fittings, operating equipment and goodwill (such as business licenses and business interests attached to property) of the properties.

Our valuation has made on the assumptions that the owners sell the properties on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture or any similar arrangement which would serve to affect the values of the property interests. We also assumed that the current trade related use of the properties will continue to be operated in compliance with the legal requirements and that our valuation of the properties has made on the basis that each of the properties is as a fully equipped operational entity.

In arriving at our valuation, we have adopted Direct Comparison Approach and counter-checked by Income Approach. As there were a number of similar properties transacted in USA, we consider the Direct Comparison Approach is the most appropriate valuation approach for assessing the market values of these property interests.

Direct Comparison Approach involves the analysis of comparable properties. Comparison is based on prices realized on actual transactions or asking prices of comparable properties. Comparable properties with similar operations, sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

In providing our notional apportionment of values into land, building, furniture, fixture & equipment ("FF&E") and goodwill for each of the property interest, we have utilized Direct Comparison Approach for assessing the value of land and Cost Approach for assessing the value of improvement and FF&E; and the residual amount after the apportionment of values to land, building and FF&E is the value assigned to goodwill.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect values.

We have been provided with copies of title searches relating to the properties from the Group. We have not, in any case, searched or inspected the original documents to verify ownership or to verify the existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

In arriving at our opinion of values, we have assumed that all necessary licenses, permits, certificates and authorizations for the operation of the properties have been obtained as at the date of valuation from the relevant government authorities without onerous conditions or restrictions.

We have relied to a considerable extent on information provided by the Group, particularly in relation to such matters as planning approvals, title searches, licenses, permits, statutory notices, easements, site and floor areas, no. of beds, occupancies, tenancies, and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates only approximations.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have also assumed that the sites are free from any contamination.

Our valuations have been on US Dollar ("USD").

We summarise our valuation overleaf and enclose herewith our valuation certificates.

Yours faithfully,
For and on behalf of
CBRE HK Limited
Harry C. W. Chan FHKIS RPS(GP)
Senior Director
Valuation & Advisory Services

Notes:

(1) Mr. Harry Chan is a Registered Professional Surveyor (General Practice) and a Fellow of The Hong Kong Institute of Surveyors. He has over 20 years experience in the valuation of properties in the region.

(2) Under the supervision of Mr. Harry Chan, qualified valuers of CBRE US conducted the inspection and undertook the valuation. Our responsible local valuers have about 10 to 30 years post-qualification experiences of valuing properties in USA.

SUMMARY OF VALUATION

	Property	Capital Value in Existing State as at 31 October 2012 *(USD)*	Interest attributable to the Group	Capital Value in Existing State as at 31 October 2012 attributable to the Group's interest *(USD)*
Group I – Property Interests to be acquired by the Group for investment				
1.	**Albemarle House** 1930 Woodhaven Drive Albemarle, Stanly County North Carolina 28001 USA	5,700,000	100%	5,700,000
2.	**Canterbury House** 1284 Leasburg Road Roxboro, Person County North Carolina 27573 USA	2,400,000	100%	2,400,000
3.	**Caswell House** 535 U.S. Highway 158 West Yanceyville, Caswell County North Carolina 27379 USA	9,650,000	100%	9,650,000
4.	**Cedar Mountain House** 11 Sherwood Ridge Road Brevard, Transylvania County North Carolina 28712 USA	3,750,000	100%	3,750,000
5.	**Cherry Springs Village** 358 Clear Creek Road Hendersonville, Henderson County North Carolina 28792 USA	4,800,000	100%	4,800,000
6.	**The Covington** 4510 Duraleigh Road Raleigh, Wake County North Carolina 27612 USA	12,550,000	100%	12,550,000

	Property	Capital Value in Existing State as at 31 October 2012 *(USD)*	Interest attributable to the Group	Capital Value in Existing State as at 31 October 2012 attributable to the Group's interest *(USD)*
7.	**Cranberry House** 6215 North U.S. Highway 19 East, Newland, Avery County, North Carolina 28622 USA	7,900,000	100%	7,900,000
8.	**Edenton House** 323 Medical Arts Drive Edenton, Chowan County North Carolina 27932 USA	3,300,000	100%	3,300,000
9.	**Hayesville House** 480 Old Highway 64 West Hayesville, Clay County North Carolina 27612 USA	8,300,000	100%	8,300,000
10.	**Kingsbridge House** 10 Sugar Loaf Road Brevard, Transylvania County North Carolina 28712 USA	9,200,000	100%	9,200,000
11.	**Magnolia Creek** 2560 Willard Road Winston-Salem, Forsyth County North Carolina 27107-5543 USA	10,100,000	100%	10,100,000
12.	**Oliver House** 4230 Wendell Boulevard Wendell, Wake County North Carolina 27591 USA	7,850,000	100%	7,850,000

	Property	Capital Value in Existing State as at 31 October 2012 *(USD)*	Interest attributable to the Group	Capital Value in Existing State as at 31 October 2012 attributable to the Group's interest *(USD)*
13.	**Sharon Amity** 4025 North Sharon Amity Drive Charlotte, Mecklenburg County North Carolina 28205 USA	8,500,000	100%	8,500,000
14.	**The Magnolia** 213 Forest Trail Clinton, Sampson County North Carolina 27612 USA	9,550,000	100%	9,550,000
15.	**Wellington House** 850 Majestic Court Gastonia, Gaston County North Carolina 28054 USA	8,000,000	100%	8,000,000
16.	**Williamston House** 160 Santree Drive Williamston, Martin County North Carolina 27892 USA	2,700,000	100%	2,700,000
17.	**Windsor House** 336 South Rhodes Avenue Windsor, Bertie County North Carolina 27983 USA	6,000,000	100%	6,000,000
18.	**Yancey House** 6 Cooper Lane Burnsville, Yancey County North Carolina 28714 USA	7,100,000	100%	7,100,000
	Total:	**127,350,000**		**127,350,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
	Group I – Property Interests to be acquired by the Group for investment			
1.	**Albemarle House** 1930 Woodhaven Drive, Albemarle, Stanly County, North Carolina 28001, USA Lot No. 655801359286 The property is located in the city of Albemarle and is considered a suburban location. The property is about 3 miles east of the Central Business District.	The property comprises a single-storey senior housing facility which is licensed for a total of 76 beds (of which 48 beds are for memory care residence). According to the actual operation of the property, there are 28 beds for assisted living residence and 46 beds for memory care residence. 32 car parking spaces are provided within the property. The property was completed in about 1998 and occupies a site area of approximately 174,240 sq ft (16.187.29 sq m). It has a total gross area of approximately 20,046 sq ft (1,862.32 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD5,700,000 (100% interest) USD5,700,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Albemarle HCRE, LLC.
2. The property lies within a district zoned "R-O" (Residential Office).
3. The property is subject to the following encumbrances:
   - i) Deed of Trust and Security Agreement in favour of Colonial Bank, N.A. dated 24 May 2007;
   - ii) Assignment of Leases and Rents in favour of Colonial Bank, N.A. dated 24 May 2007;
   - iii) Subordination, Attornment and Non-Disturbance Agreement dated 24 May 2007;
   - iv) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;
   - v) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;
   - vi) Subordination Agreement (Master Lease) dated 21 December 2009;
   - vii) Subordination Agreement (Master Sublease) dated 21 December 2009;
   - viii) Subordination Agreement (Operating Lease) dated 21 December 2009;
   - ix) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011;
   - x) Three UCC Financing Statements all in favour of Colonial Bank, N.A.; and
   - xi) UCC Financing Statement in favour of General Electric Capital Corporation.
4. Our inspection was carried out by Alan McNulty, Member of the Appraisal Institute, on 20 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.
5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	200,000
Building	3,070,000
FF&E	296,000
Goodwill	2,134,000
Total	**5,700,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
2.	**Canterbury House** 1284 Leasburg Road, Roxboro, Person County, North Carolina 27573, USA Lot No.: 123 22 The property is located in the city of Roxboro and Roxboro is a small rural town in north central North Carolina near Virginia.	The property comprises a single-storey senior housing facility which is a licensed for a total of 60 beds. According to the actual operation of the property, there are 55 beds for assisted living residence. 25 car parking spaces are provided within the property. The property was completed in about 1999 and occupies a site area of approximately 103,673 sq ft (9,631.46 sq m). It has a total gross area of approximately 16,971 sq ft (1,576.64 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD2,400,000 (100% interest) USD2,400,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Roxboro HCRE, LLC.

2. The property lies within a district zoned "R-2" (Residential – Medium Density).

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment to Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011

   iv) Subordination Agreement (Master Lease) dated 21 December 2009;

   v) Subordination Agreement (Master Sublease) dated 21 December 2009;

   vi) Subordination Agreement (Operating Lease) dated 21 December 2009; and

   vii) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Jeffrey Skeahan, Member of The Appraisal Institute, on 23 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	110,000
Building	1,300,000
FF&E	220,000
Goodwill	770,000
Total	**2,400,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
3.	**Caswell House** 535 U.S. Highway 158 West, Yanceyville, Caswell County, North Carolina 27379, USA Lot No.: 0067 210 The property is located in the city of Yanceyville and Yanceyville is a small rural town in north central North Carolina near Virginia.	The property comprises a single-storey senior housing facility which is licensed for a total of 100 beds (of which 42 beds are for memory care residence). According to the actual operation of the property, there are 58 beds for assisted living residence and 42 beds for memory care residence. 71 car parking spaces are provided within the property. The property was completed in about 2007 and occupies a site area of approximately 245,243 sq ft (22,783.63 sq m). It has a total gross area of approximately 38,283 sq ft (3,556.58 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD9,650,000 (100% interest) USD9,650,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Yanceyville HCRE, LLC.
2. The property lies within a district zoned "O&I" (Office and Institutional).
3. The property is subject to the following encumbrances:
   i) Deed of Trust and Security Agreement in favour of Colonial Bank, N.A. dated 31 October 2007;
   ii) Two Subordination, Attornment and Non-Disturbance Agreements both dated 31 October 2007;
   iii) Assignment of Leases and Rents in favour of Colonial Bank, N.A. dated 31 October 2007;
   iv) Cross-Collateralization, Cross-Default and Mortgage Modification Agreement dated 4 December 2008;
   v) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Capital Corporation dated 21 December 2009;
   vi) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;
   vii) Subordination Agreement (Master Lease) dated 21 December 2009;
   viii) Subordination Agreement (Master Sublease) dated 21 December 2009;
   ix) Subordination Agreement (Operating Lease) dated 21 December 2009;
   x) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and
   xi) Two UCC Financing Statements both in favour of General Electric Capital Corporation.
4. Our inspection was carried out by Jeffrey Skeahan, Member of The Appraisal Institute, on 23 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.
5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	350,000
Building	4,120,000
FF&E	600,000
Goodwill	4,580,000
Total	**9,650,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
4.	**Cedar Mountain House** 11 Sherwood Ridge Road, Brevard, Transylvania County, North Carolina 28712, USA Lot No.: 8592-99-8173-000 The property is located in the southeast portion of Transylvania County approximately 10 miles from downtown Brevard, which is part of the Asheville-Brevard Metropolitan Statistical Area.	The property comprises a two-storey senior housing facility which is licensed for a total of 64 beds. According to the actual operation of the property, there are 64 beds for assisted living residence. 26 car parking spaces are provided within the property. The property was completed in about 1999 and occupies a site area of approximately 87,120 sq ft (8,093.65 sq m). It has a total gross area of approximately 20,736 sq ft (1,926.42 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD3,750,000 (100% interest) USD3,750,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Brevard South HCRE, LLC.

2. There is currently no zoning in the Transylvania County.

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of Electric Capital Corporation dated 31 May 2011; and

   vii) Two UCC Financing Statements all in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Decker Dickson, Certified General Appraiser, on 23 August 2012. The property was maintained in an average condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	100,000
Building	1,830,000
FF&E	128,000
Goodwill	1,692,000
Total	**3,750,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
5.	**Cherry Springs Village** 358 Clear Creek Road, Hendersonville, Henderson County, North Carolina 28792, USA Lot No.: 1004799 The property is located in Downtown Hendersonville, which is part of the Asheville-Brevard Metropolitan Statistical Area.	The property comprises a single-storey senior housing facility which is licensed for a total of 60 beds. According to the actual operation of the property, there are 60 beds for assisted living residence. 24 car parking spaces are provided within the property. The property was completed in about 1998 and occupies a site area of approximately 418,612 sq ft (38,890.00 sq m). It has a total gross area of approximately 21,160 sq ft (1,968.81 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD4,800,000 (100% interest) USD4,800,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Hendersonville HCRE, LLC.

2. The property lies within a district zoned "PRD" (Planned Residential District).

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) Two UCC Financing Statements all in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Decker Dickson, Certified General Appraiser, on 23 August 2012. The property was maintained in an average condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	425,000
Building	2,065,000
FF&E	164,000
Goodwill	2,146,000
Total	**4,800,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
6.	**The Covington** 4510 Duraleigh Road, Raleigh, Wake County, North Carolina 27612, USA Lot No.: 0786408588 The property is located in the city of Raleigh and is considered a suburban location. The property is about 7 miles northwest of the Raleigh Central Business District.	The property comprises a three-storey senior housing facility which is licensed for a total of 120 beds (of which 60 beds are for memory care residence). According to the actual operation of the property, there are 60 beds for assisted living residence and 60 beds for memory care residence. 50 car parking spaces are provided within the property. The property was completed in about 1988 and occupies a site area of approximately 189,922 sq ft (17,644.18 sq m). It has a total gross area of approximately 52,697 sq ft (4,895.67 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD12,550,000 (100% interest) USD12,550,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Raleigh HCRE, LLC.

2. The property lies within a district zoned "R-6" (Residential District).

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Alan McNulty, Member of The Appraisal Institute, on 10 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	520,000
Building	2,780,000
FF&E	480,000
Goodwill	8,770,000
Total	**12,550,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
7.	**Cranberry House** 6215 North U.S. Highway 19 East, Newland, Avery County, North Carolina 28622, USA Lot No.: 1828-00-45-4518 The property is located within Avery County and Avery County is located among the Blue Ridge Mountains in northwestern North Carolina.	The property comprises a single-storey senior housing facility which is licensed for a total of 60 beds (of which all of the 60 beds are for memory care residence). According to the actual operation of the property, there are 60 beds for memory care residence. 36 car parking spaces are provided within the property. The property was completed in about 2007 and occupies a site area of approximately 204,645 sq ft (19,011.98 sq m). It has a total gross area of approximately 22,210 sq ft (2,063.36 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD7,900,000 (100% interest) USD7,900,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Newland HCRE, LLC.

2. There is currently no zoning in the Avery County.

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011;

   iv) Subordination Agreement (Master Lease) dated 21 December 2009;

   v) Subordination Agreement (Master Sublease) dated 21 December 2009;

   vi) Subordination Agreement (Operating Lease) dated 21 December 2009; and

   vii) Two UCC Financing Statements all in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Benjamin D. Tedder, Member of The Appraisal Institute, on 22 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	225,000
Building	2,375,000
FF&E	240,000
Goodwill	5,060,000
Total	**7,900,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
8.	**Edenton House** 323 Medical Arts Drive, Edenton, Chowan County, North Carolina 27932, USA Lot No.: 7805-00-42-1904 The property is less than a mile west of the Central Business District of the town of Edenton, which is in central Chowan County being approximately 60 miles east of Rocky Mount and 50 miles west of the Outer Banks of North Carolina.	The property comprises a single-storey senior housing facility which is licensed for a total of 60 beds. According to the actual operation of the property, there are 60 beds for assisted living residence. 60 car parking spaces are provided within the property. The property was completed in about 2007 and occupies a site area of approximately 197,588 sq ft (18,356.37 sq m). It has a total gross area of approximately 24,732 sq ft (2,297.66 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD3,300,000 (100% interest) USD3,300,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Edenton HCRE, LLC.

2. The property lies within a district zoned "MA" (Medical Arts District).

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iii) Subordination Agreement (Master Sublease) dated 21 December 2009;

   iv) Subordination Agreement (Operating Lease) dated 21 December 2009;

   v) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Coporation dated 31 May 2011; and

   vi) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Alan McNulty, Member of The Appraisal Institute, on 10 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	500,000
Building	2,560,000
FF&E	240,000
Goodwill	0
Total	**3,300,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
9.	**Hayesville House** 480 Old Highway 64 West, Hayesville, Clay County, North Carolina 27612, USA Lot No.: 555000116723 The property is located in the town of Hayesville in Clay County and Clay County is located in the extreme southwestern portion of North Carolina and borders the state of Georgia to the south.	The property comprises a single-storey senior housing facility which is licensed for a total of 60 beds (of which all of the 60 beds are for memory care residence). According to the actual operation of the property, there are 60 beds for memory care residence. 52 car parking spaces are provided within the property. The property was completed in about 2007 and occupies a site area of approximately 528,818 sq ft (49,128.39 sq m). It has a total gross area of approximately 22,383 sq ft (2,079.43 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD8,300,000 (100% interest) USD8,300,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Hayesville HCRE, LLC.

2. There is currently no zoning in the Avery County.

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) Two UCC Financing Statements all in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Decker Dickson, Certified General Appraiser, on 23 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	195,000
Building	1,945,000
FF&E	204,000
Goodwill	5,956,000
Total	**8,300,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
10.	**Kingsbridge House** 10 Sugar Loaf Road, Brevard, Transylvania County, North Carolina 28712, USA Lot No.: 8585-55-9745-000 The property is located just southeast of downtown Brevard, which is part of the Asheville-Brevard Metropolitan Statistical Area.	The property comprises a single-storey senior housing facility which is licensed for a total of 60 beds (of which all of the 60 beds are for memory care residence). According to the actual operation of the property, there are 60 beds for memory care residence. 50 car parking spaces are provided within the property. The property was completed in about 1999 and occupies a site area of approximately 125,888 sq ft (11,695.28 sq m). It has a total gross area of approximately 16,971 sq ft (1,576.64 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD9,200,000 (100% interest) USD9,200,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Brevard North HCRE, LLC.

2. The Property lies within a district zoned "GR-6" (General Residential).

3. The property is subject to the following encumbrances:

   i) Subordination Agreement (Operating Lease) dated 15 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Deed of Trust, Assignment of Lease and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   iv) Subordination Agreement (Master Lease) dated 21 December 2009;

   v) Subordination Agreement (Master Sublease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) Two UCC Financing Statements all in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Decker Dickson, Certified General Appraiser, on 23 August 2012. The property was maintained in an average condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	120,000
Building	1,560,000
FF&E	120,000
Goodwill	7,400,000
Total	**9,200,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
11.	**Magnolia Creek** 2560 Willard Road, Winston-Salem, Forsyth County, North Carolina 27107-5543, USA Lot No.: 2626003N The property is located in the southeast portion of the city of Winston-Salem and the property is about 4 miles southeast of the Central Business District.	The property comprises a single-storey senior housing facility which is licensed for a total of 117 beds (of which 33 beds are for memory care residence). According to the actual operation of the property, there are 84 beds for assisted living residence and 33 beds for memory care residence. 33 car parking spaces are provided within the property. The property was completed in about 1990 and occupies a site area of approximately 447,361 sq ft (41,560.85 sq m). It has a total gross area of approximately 33,304 sq ft (3,094 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD10,100,000 (100% interest) USD10,100,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Winston-Salem HCRE, LLC.

2. The property lies within a district zoned "RM-12" (Residential Multifamily).

3. The property is subject to the following encumbrances:

   i) North Carolina Deed of Trust Securing Future Advances, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 August 2005;

   ii) First Amendment to North Carolina Deed of Trust Securing Future Advances, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 1 December 2006;

   iii) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009; and

   iv) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Jeffery Skeahan, Member of The Appraisal Institute, on 17 August 2012. The property was maintained in a reasonable condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	525,000
Building	2,115,000
FF&E	468,000
Goodwill	6,992,000
Total	**10,100,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
12.	**Oliver House** 4230 Wendell Boulevard, Wendell, Wake County, North Carolina 27591, USA Lot No.: 1794018793 The property is less than a mile east of the Central Business District of the town of Wendell, which is in eastern Wake County being 10 miles east of Raleigh and 50 miles northwest of Greenville.	The property comprises a single-storey senior housing facility which is licensed for a total of 100 beds (of which 31 beds are for memory care residence). According to the actual operation of the property, there are 32 beds for memory care residence and 68 beds for assisted living residence. 68 car parking spaces are provided within the property. The property was completed in about 1979 and occupies a site area of approximately 179,032 sq ft (16,632.48 sq m). It has a total gross area of approximately 26,380 sq ft (2,450.76 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD7,850,000 (100% interest) USD7,850,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Wendell HCRE, LLC.

2. The property lies within a district zoned "NC" (Neighborhood Commercial).

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Alan McNulty, Member of The Appraisal Institute, on 10 August 2012. The property was maintained in a poor condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	500,000
Building	1,400,000
FF&E	400,000
Goodwill	5,550,000
Total	**7,850,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
13.	**Sharon Amity** 4025 North Sharon Amity Drive, Charlotte, Mecklenburg County, North Carolina 28205, USA Lot No.: 10121122 The property is located in the city of Charlotte and is considered a suburban location. The property is about 5 miles east of the Central Business District.	The property comprises a single-storey senior housing facility which is licensed for a total of 64 beds (of which all of the 64 beds are for memory care residence). According to the actual operation of the property, there are 64 beds for memory care residence. 36 car parking spaces are provided within the property. The property was completed in about 1999 and occupies a site area of approximately 122,404 sq ft (11,371.61 sq m). It has a total gross area of approximately 22,231 sq ft (2,065.31 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD8,500,000 (100% interest) USD8,500,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Charlotte HCRE, LLC.

2. The property lies within a district zoned "R9-MF(CD)" (Residential Multi-Family District).

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Alan McNulty, Member of The Appraisal Institute, on 16 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	300,000
Building	1,920,000
FF&E	256,000
Goodwill	6,024,000
Total	**8,500,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
14.	**The Magnolia** 213 Forest Trail, Clinton, Sampson County, North Carolina 27612, USA Lot No.: 12-0150831-01 The property is located in the central part of the County in Clinton. This location is approximately 55 miles southeast of the Raleigh-Durham Triangle area and approximately 70 miles west of North Carolina's Atlantic coastline.	The property comprises a single-storey senior housing facility which is licensed for a total of 91 beds (of which 45 beds are for memory care residence). According to the actual operation of the property, there are 45 beds for memory care residence and 46 beds for assisted living residence. 36 car parking spaces are provided within the property. The property was completed in about 1997 and occupies a site area of approximately 292,723 sq ft (27,194.63 sq m). It has a total gross area of approximately 26,600 sq ft (2,471.20 sq m) respectively. The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD9,550,000 (100% interest) USD9,550,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Clinton HCRE, LLC.

2. The property lies within a district zoned "O&I" (Office and Institutional).

3. The property is subject to the following encumbrances"

   i) North Carolina Deed of Trust Securing Future Advances, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 August 2005;

   ii) First Amendment to North Carolina Deed of Trust Securing Future Advances, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 1 December 2006;

   iii) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   iv) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   v) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Decker Dickson, Certified General Appraiser, on 23 August 2012. The property was maintained in an average condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	425,000
Building	2,355,000
FF&E	200,000
Goodwill	6,570,000
Total	**9,550,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
15.	**Wellington House** 850 Majestic Court, Gastonia, Gaston County, North Carolina 28054, USA Lot No.: 110085 The property is located in the city of Gastonia and is considered a suburban location. The property is about 4 miles east of the Central Business District.	The property comprises a single-storey senior housing facility which is licensed for a total of 48 beds (of which all of the 48 beds are for memory care residence). According to the actual operation of the property, there are 48 beds for memory care residence. 14 car parking spaces are provided within the property. The property was completed in about 1988 and occupies a site area of approximately 45,215 sq ft (4,200.58 sq m). It has a total gross area of approximately 12,000 sq ft (1,114.83 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD8,000,000 (100% interest) USD8,000,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Gastonia HCRE, LLC.

2. The property lies within a district zoned "O-1" (Office District).

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Mater Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) UCC Financing Statement in favour of General Electric Capital.

4. Our inspection was carried out by Alan McNulty, Member of The Appraisal Institute, on 17 August 2012. The property was maintained in an average condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	230,000
Building	990,000
FF&E	192,000
Goodwill	6,588,000
Total	**8,000,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
16.	**Williamston House** 160 Santree Drive, Williamston, Martin County, North Carolina 27892, USA Lot No.: 5776-05-0639 The property is less than a mile southwest of the Central Business District of the Town of Williamston.	The property comprises a single-storey senior housing facility which is licensed for a total of 60 beds. According to the actual operation of the property, there are 60 beds for assisted living residence. 25 car parking spaces are provided within the property. The property was completed in about 1999 and occupies a site area of approximately 209,524 sq ft (19,465.25 sq m). It has a total gross area of approximately 17,491 sq ft (1,624.95 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD2,700,000 (100% interest) USD2,700,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Williamston HCRE, LLC.

2. The property lies within a district zoned "O&I" (Office and Institutional).

3. The property is subject to the following encumbrances:

   i) North Carolina Deed of Trust Securing Future Advances, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 August 2005;

   ii) First Amendment to North Carolina Deed of Trust Securing Future Advances, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 1 December 2006;

   iii) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   iv) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   v) Subordination Agreement (Master Lease) dated 21 December 2009;

   vi) Subordination Agreement (Master Sublease) dated 21 December 2009;

   vii) Subordination Agreement (Operating Lease) dated 21 December 2009;

   viii) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreements and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   ix) UCC Financing Statement in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Alan McNulty, Member of The Appraisal Institute, on 10 August 2012. The property was maintained in an average condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	380,000
Building	1,610,000
FF&E	240,000
Goodwill	470,000
Total	**2,700,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
17.	**Windsor House** 336 South Rhodes Avenue, Windsor, Bertie County, North Carolina 27983, USA Lot No.: 6811-29-5113 The property is less than a mile southeast of the Central Business District of the Town of Windsor.	The property comprises a single-storey senior housing facility which is licensed for a total of 60 beds (of which all of the 60 beds are for memory care residence). According to the actual operation of the property, there are 60 beds for memory care residence. 52 car parking spaces are provided within the property. The property was completed in about 2007 and occupies a site area of approximately 248,292 sq ft (23,066.89 sq m). It has a total gross area of approximately 23,326 sq ft (2,167.04 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD6,000,000 (100% interest) USD6,000,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Windsor HCRE, LLC.
2. The property lies within a district zoned “RA-20” (Single-Family Residential District).
3. The property is subject to the following encumbrances:
   i) Deed of Trust and Security Agreement in favour of Colonial Bank, N.A. dated 31 October 2007;
   ii) Assignment of Leases and Rents in favour of Colonial Bank, N.A. dated 31 October 2007;
   iii) First Amendment to Deed of Trust and Security Agreement in favour of Colonial Bank, N.A. dated 2 April 2008;
   iv) Cross-Collateralization, Cross-Default and Mortgage Modification Agreement dated 8 December 2008;
   v) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;
   vi) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;
   vii) Subordination Agreement (Master Lease) dated 21 December 2009;
   viii) Subordination Agreement (Master Sublease) dated 21 December 2009;
   ix) Subordination Agreement (Operating Lease) dated 21 December 2009;
   x) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011;
   xi) Two UCC Financing Statements all in favour of General Electric Capital Corporation; and
   xii) UCC Financing Statement in favour of Colonial Bank, N.A.
4. Our inspection was carried out by Alan McNulty, Member of The Appraisal Institute, on 10 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.
5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	270,000
Building	2,660,000
FF&E	240,000
Goodwill	2,830,000
Total	**6,000,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 October 2012
18.	**Yancey House** 6 Cooper Lane, Burnsville, Yancey County, North Carolina 28714, USA Lot No.: 081012950169.000 The property is located in the Town of Burnsville and is considered a rural location. The property is about 80 miles northwest of Hickory, 35 miles north of Asheville in North Carolina and 45 miles south of Johnson City in Tennessee.	The property comprises a single-storey senior housing facility which is licensed for a total of 70 beds (of which 40 beds are for memory care residence). According to the actual operation of the property, there are 40 beds for memory care residence and 30 beds for assisted living residence. 36 car parking spaces are provided within the property. The property was completed in about 2007 and occupies a site area of approximately 332,537 sq ft (30,893.44 sq m). It has a total gross area of approximately 24,063 sq ft (2,235.51 sq m). The property is held under fee simple estate.	Meridian Senior Living, LLC operates the property under a management agreement as Manager for a term of 4 years commencing on 1 November 2010 and renewable for additional terms of one year each.	USD7,100,000 (100% interest) USD7,100,000 (100% interest attributable to the Group)

Notes:

1. The owner of the property is Burnsville HCRE, LLC.

2. There is currently no zoning in the Yancey County.

3. The property is subject to the following encumbrances:

   i) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 21 December 2009;

   ii) Assignment of Leases and Rents in favour of General Electric Capital Corporation dated 21 December 2009;

   iii) Subordination Agreement (Master Lease) dated 21 December 2009;

   iv) Subordination Agreement (Master Sublease) dated 21 December 2009;

   v) Subordination Agreement (Operating Lease) dated 21 December 2009;

   vi) First Amendment to Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favour of General Electric Capital Corporation dated 31 May 2011; and

   vii) Two UCC Financing Statement all in favour of General Electric Capital Corporation.

4. Our inspection was carried out by Benjamin D. Tedder, Member of The Appraisal Institute, on 22 August 2012. The property was maintained in a good condition according to its age and uses and equipped with normal building services.

5. Our valuation is based on comparing transactions of other senior housing facilities in USA. For the purpose of accounting requirements, an apportionment of the property interests into land, building, FF&E and goodwill of the above valuation, based on 100% interest, is as follows:–

	USD
Land	300,000
Building	3,200,000
FF&E	280,000
Goodwill	3,320,000
Total	**7,100,000**

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Interests in the Company – Shares

		Number of Shares			Approximate percentage
Name of Director	Capacity	Personal Interests	Family Interests	Total	of shareholding
					(%)
Dr. CHOW Yei Ching	Beneficial owner	166,388,359*	–	166,388,359	59.95
Mr. KUOK Hoi Sang	Beneficial owner	98,216	–	98,216	0.04
Mr. TAM Kwok Wing	Beneficial owner	169,015	32,473	201,488	0.07
Mr. HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01

* Dr. CHOW Yei Ching beneficially owned 166,388,359 Shares, representing approximately 59.95% of the entire issued share capital of the Company. These Shares were the same as those Shares disclosed in the sub section below.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO);

or (ii) pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Group (if any) or had any options in respect of such capital:

Substantial Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding *(%)*
Dr. CHOW Yei Ching	Beneficial owner	166,388,359	59.95
Ms. MIYAKAWA Michiko	Beneficial owner	166,388,359**	59.95

** Under Part XV of the SFO, Ms. MIYAKAWA Michiko, the spouse of Dr. CHOW Yei Ching, is deemed to be interested in the same parcel of 166,388,359 Shares held by Dr. CHOW Yei Ching.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

3. INTERESTS IN GROUP'S ASSETS, CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors of the Company had any direct or indirect interests in any assets which have since 31 March 2012 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors of the Company was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

4. 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 which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates (within the meaning of the Listing Rules) had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

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 or outlook of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL CONTRACTS

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

(a) the agreement (the "Share Exchange Agreement") dated 15 December 2010 entered into among International Restaurants Holdings Limited ("IRHL", as vendor), Cafe Deco Holdings Limited ("Cafe Deco") (formerly known as Sinochina Enterprises Limited, an indirect 60%-owned subsidiary of CPHL, as purchaser), the owners of IRHL (as vendor's guarantors) and Sharp Rise Limited (a wholly-owned subsidiary of CPHL, as purchaser's guarantor) (collectively, the "Parties") in respect of the acquisition of a 60% interest in Metro Point Enterprise Company Limited, a wholly-owned subsidiary of IRHL before completion, which was satisfied by the issue of 400 new shares in Cafe Deco (representing 40% of the issued share capital of Cafe Deco as enlarged by the issue of the aforesaid shares) to IRHL as consideration (the "Share Exchange");

(b) the loan agreement dated 15 December 2010 entered into between Chevalier Pacific Limited (a wholly-owned subsidiary of CPHL, as lender) and IRHL (as borrower) in respect of a loan in the amount of HK$25,000,000 advanced to IRHL on 16 December 2010; the loan agreement dated 15 December 2010 entered into between Cafe Deco (as lender) and IRHL (as borrower) as amended by a supplemental agreement dated 21 December 2010 in respect of a loan in the amount of HK$24,920,000 advanced to IRHL on 16 December 2010;

(c) the shareholders agreement dated 21 December 2010 entered into among the Parties for the purpose of regulating their relationship among themselves in respect of the affairs of and their dealings with Cafe Deco, its subsidiaries and associated companies after the completion of the Share Exchange Agreement;

(d) the option agreement dated 21 December 2010 entered into between CL Holdings Limited ("CL Holdings"), a 60%-owned subsidiary of CPHL, and World Pointer Limited ("World Pointer"), a wholly-owned subsidiary of CPHL. In consideration of a sum of HK$1 paid by World Pointer to CL Holdings, CL Holdings irrevocably and unconditionally grants to World Pointer an option to sell all (but not part only) of the 51% interest in the issued share capital of each of the three subsidiaries of World Pointer (the "World Pointer Group Companies") to CL Holdings at a consideration of HK$25,000,000. In consideration of a sum of HK$1 paid by CL Holdings to World Pointer, World Pointer irrevocably and unconditionally grants to CL Holdings an option to sell all (but not part only) of the 49% interest in the issued share capital of the World Pointer Group Companies to World Pointer at a consideration of HK$24,019,608;

(e) the sale and purchase agreement dated 6 January 2011 entered into between Legend One Limited ("Legend One", a subsidiary of the Company, as purchaser) and Goodman HK Investments ("Goodman" as vendor) in relation to the acquisition of one ordinary share of HK$1 in the capital of Kwai Hei Investments No. 1 Limited ("Kwai Hei"), representing the entire issued share capital of Kwai Hei and all obligations, liabilities and debts owing or incurred by Kwai Hei to a fellow subsidiary of Goodman as at 1 April 2011, by Legend One from Goodman and a fellow subsidiary of Goodman respectively, at an aggregate consideration of HK$686,500,000 (subject to adjustment);

(f) the sale and purchase agreement dated 27 May 2011 entered into between Market Phoenix Limited, a subsidiary of the Company, as purchaser and Cosmos Machinery (Holdings) Limited ("Cosmos") and Place Day Limited as the vendors in relation to the sale and purchase of the entire issued share capital of Kingtime Holdings Limited ("Kingtime") and Million Bond Limited and all obligations, liabilities and debts owing or incurred by Kingtime to Cosmos at an aggregate consideration of HK$297,914,581.95;

(g) three assignment agreements all dated 31 May 2011 (US time) entered into between Strategic Capital Partners, LLC ("Strategic Partners") as assignor and each of Chevalier Beaverton, LLC, Chevalier Gresham, LLC and Chevalier Portland Laurelhurst, LLC as assignees (wholly-owned subsidiaries of the Company) in relation to the assignment of all of Strategic Partners' rights and obligations under the respective assignments in relation to acquisition of certain properties located in Oregon, the US, at an aggregate consideration of US$34,896,000;

(h) the deeds of termination dated 15 July 2011 entered into between CPHL and each of Dadra Inc. and Exponential Opportunities Limited in respect of the Consultancy Option Agreements;

(i) the asset reorganisation agreement dated 17 June 2011 entered into between the Company and CPHL (the "Asset Reorganisation Agreement") in relation to the reorganisation of the assets of the CPHL Group involving the disposal of the entire issued share capital of Sharp Rise Limited to the Company pursuant to the Asset Reorganisation Agreement;

(j) the share sale agreement dated 17 June 2011 entered into between the Company and Wincon Capital Investment Limited (the "Share Sale Agreement") in relation to the proposed sale of the sale shares by the Company to the Wincon Capital Investment Limited pursuant to the terms and conditions of the Share Sale Agreement;

(k) the loan agreement dated 23 February 2012 entered into between Chinaford Investment Limited, a wholly-owned subsidiary of the Company, as the lender and 成都其士房地產發展有限公司 (Chengdu Chevalier Property Development Company Limited*) as the borrower for providing financing up to and not more than RMB300 million;

(l) the Assignment Agreement; and

(m) the shareholder agreement dated 17 October 2012 entered into among Quality King Investments Limited (a wholly-owned subsidiary of the Company), Australian Management Investment Company Pty Limited, Hector Global Limited and CAAM Limited for the purpose of regulating the business, affairs and internal management of CAAM Limited.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
CBRE	Independent Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, had any interest in any assets which had since 31 March 2012 (being the date to which the latest published audited financial statements of the Group were made up) been 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.

10. MISCELLANEOUS

(a) The secretary of the Company is Mr. MUI Chin Leung. He is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. Its head office and principal place of business is situated at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:00 p.m. at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the SGM:

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

(b) the "Letter from the Board", the text of which is set out on pages 7 to 18 of this circular;

(c) the annual reports of the Company for each of the three years ended 31 March 2010, 2011 and 2012 and the interim results announcement of the Company for the six months ended 30 September 2012;

(d) the accountant's report of the Target Business from PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(e) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the valuation report prepared by CBRE, the text is set out in Appendix IV to this circular;

(g) the written consents from the experts referred to in paragraph headed "Qualification and consents of experts" in this Appendix V; and

(h) the material contracts referred to in the section headed "Material Contracts" in this Appendix V.

CHEVALIER INTERNATIONAL HOLDINGS LIMITED
其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 25)

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of Chevalier International Holdings Limited (the "**Company**") will be held at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong on Friday, 21 December 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

the assignment agreement (the "Assignment Agreement") dated 11 October 2012 (US time) entered into between the Assignees (as defined in the circular dated 5 December 2012 and despatched to the shareholders of the Company (the "**Circular**") and Strategic Capital Group, LLC in relation to the acquisition of the Properties' (together, Albemarle House, Canterbury House, Caswell House, Cedar Mountain House, Cherry Springs Village, The Covington, Cranberry House, Edenton House, Hayesville House, Kingsbridge House, Magnolia Creek, Oliver House, Sharon Amity, The Magnolia, Wellington House, Williamston House, Windsor House and Yancey House) operation as senior housing facilities (including the Properties) by the Assignees for a consideration of US$124.0 million (a copy of the Assignment Agreement has been produced to the SGM marked "A" and initialled by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby ratified, confirmed and approved; and the Directors be and are hereby authorized to do all things and acts and execute all documents relating to or in connection with any and all transactions contemplated thereunder."

By Order of the Board
Chevalier International Holdings Limited
Chow Yei Ching
Chairman

Hong Kong, 5 December 2012

* *For identification purpose only*

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business in Hong Kong:
22nd Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

Notes:

1) A form of proxy for use at the meeting is enclosed herewith.

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

3) Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more than one proxy to attend and vote instead of him. A proxy needs not be a shareholder of the Company but must attend the meeting in person to represent him.

4) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority must be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof (as the case may be) or upon the poll concerned.

5) Completion and return of the form of proxy will not precluded a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting (as the case may be) or upon the poll concerned if the shareholder so wishes. In such event, the form of proxy will be deemed to be revoked.

6) Where there are joint registered holders of any share of the Company, any one of such joint registered holders may vote at the meeting either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint registered holders are present at the meeting personally or by proxy, that one of the said person so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.