
CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM HAITONG SECURITIES	7
LETTER FROM THE BOARD	18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	25
LETTER FROM SOMERLEY	27
APPENDIX I — FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFER	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION	III-1
ACCOMPANYING DOCUMENT — FORM OF ACCEPTANCE AND TRANSFER	

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

2013

Despatch date of this Composite Document
and the Form of Acceptance and Transfer
and commencement date of the Offer. Friday, 30 August

Latest time and date for acceptance of
the Offer (*Note 1*) 4:00 p.m. on Monday, 23 September

Closing Date (*Note 1*) Monday, 23 September

Announcement of the results of the Offer to be posted not later than 7:00 p.m.
on the website of the Stock Exchange (*Note 1*) on Monday, 23 September

Latest date for posting of remittances in respect of
valid acceptances received under the Offer (*Note 2*) Thursday, 3 October

Notes:

1. The latest time for acceptance of the Offer is 4:00 p.m. on Monday, 23 September 2013. The Offer, which is unconditional, will be closed on Monday, 23 September 2013 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror will issue an announcement by 7:00 p.m. on Monday, 23 September 2013 as to whether the Offer has been revised, extended or expired. In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
2. Payment will be made as soon as possible, but in any event within 7 Business Days after the date of receipt by the Registrar from the Independent Shareholders accepting the Offer of the valid requisite documents.

Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.

If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected and therefore be revised in accordance with the Takeovers Code. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong time and dates.

DEFINITIONS

In this Composite Document, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System operated by the Hong Kong Securities Clearing Company Limited
“Circular”	the circular of the Company dated 26 July 2013 in relation to, among others, the Disposal, the Property Disposal, the Management Agreement and the Special Dividend
“Closing Date”	23 September 2013, the closing date of the Offer, which is at least 21 days after the date on which the Composite Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
“Company”	Jiwa Bio-Pharm Holdings Limited (Stock Code: 2327), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Composite Document”	this composite offer and response document jointly issued by the Company and the Offeror to the Shareholders in accordance with the Takeovers Code containing, among others, details of the Offer, together with the Form of Acceptance and Transfer

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of Jiwa Pharmaceutical Limited pursuant to a sale and purchase agreement entered into between Jiwa Development Company Limited and Goldvault Limited on 12 March 2013
“Encumbrances”	all pledges, charges, liens, mortgages, security interests, pre-emption rights, options and any other encumbrances or third party rights or claims of any kind
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance and Transfer”	the accompanying form of acceptance and transfer of Shares in respect of the Offer
“Group”	the Company and its subsidiaries
“Haitong Capital”	Haitong International Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror
“Haitong Securities”	Haitong International Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO, and a fellow subsidiary of Haitong Capital
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company whose members comprise all the independent non-executive Directors to advise the Independent Shareholders in respect of the Offer

DEFINITIONS

“Independent Financial Adviser” or “Somerley”	Somerley Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Offer
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement jointly published by the Company and the Offeror dated 22 April 2013 in relation to, among others, the Offer
“Lau’s Family”	the family members of Mr. Lau Yau Bor, comprising Mr. Lau Yau Bor (the chairman of the Company and an executive Director), Madam Chan Hing Ming (the chief executive officer of the Company and an executive Director) and Mr. Lau Kin Tung (the vice chairman of the Company and an executive Director)
“Latest Practicable Date”	27 August 2013, being the latest practicable date prior to the date of this Composite Document for ascertaining certain information herein
“Last Trading Day”	11 March 2013, being the last trading day for the Shares prior to the suspension of trading in the Shares pending the publication of the Joint Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the management agreement dated 12 March 2013 entered into between the Company and Sunny Enterprise Limited for the provision of management services to the Group

DEFINITIONS

“Offer”	the unconditional mandatory cash offer for the Offer Shares at the Offer Price to be made by Haitong Securities on behalf of the Offeror in accordance with the Takeovers Code
“Offeror”	U-Home Group International Limited, a company incorporated in the BVI, being the purchaser under the Share Purchase Agreement and the offeror for the Offer
“Offer Price”	the amount of HK\$0.2378 per Share payable by the Offeror to holders of the Offer Shares for each Offer Share accepted under the Offer
“Offer Shares”	all issued Shares which have not been already owned or have not been agreed to be acquired by the Offeror and parties acting in concert with it
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, and for the purpose of this Composite Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Property Disposal”	the disposal of a property pursuant to a sale and purchase agreement entered into between Jiwa International Limited and Sunny Enterprise Limited on 12 March 2013
“Purchaser’s Warrantor”	Mr. Zhou Xuzhou, being the warrantor of the Offeror under the Share Purchase Agreement and the director and ultimate beneficial owner of the Offeror
“R&D”	an acronym for research and development
“Registrar”	Tricor Standard Limited, being the Hong Kong branch share registrar and transfer office of the Company, located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“Relevant Period”	the period from 15 September 2012, being the date falling six months preceding the commencement of the offer period, up to and including the Latest Practicable Date
“Remaining Group”	the Group immediately after completion of the Disposal and the Property Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share(s)”	Share(s) sold by the Vendors to the Offeror pursuant to the Share Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the existing share(s) of HK\$0.01 each in the share capital of the Company
“Share Purchase”	the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement
“Share Purchase Agreement”	the conditional agreement in respect of the Share Purchase dated 12 March 2013 entered into among the Vendors, the Offeror, the Vendors’ Warrantor and the Purchaser’s Warrantor
“Share Purchase Price”	HK\$278,963,655, being the aggregate consideration paid by the Offeror to the Vendors for the Share Purchase
“Shareholder(s)”	the holder(s) of the Shares
“Special Dividend”	the special dividend to be paid by the Company in the amount of HK\$0.375 per Share held by Shareholders whose name appeared on the Company’s register of members on 21 August 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day(s)”	a day on which the Stock Exchange is open for the business of dealings in securities
“Vendors”	Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd., being the vendors under the Share Purchase Agreement, and each a “Vendor”
“Vendors’ Warrantor”	Mr. Lau Kin Tung, being the Vendors’ warrantor under the Share Purchase Agreement
“%”	per cent.

* *The English transliteration of the Chinese names in this Composite Document, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

LETTER FROM HAITONG SECURITIES



22nd Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

30 August 2013

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF
U-HOME GROUP INTERNATIONAL LIMITED
FOR ALL THE ISSUED SHARES IN
JIWA BIO-PHARM HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
AGREED TO BE ACQUIRED BY
U-HOME GROUP INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 22 April 2013, it was jointly announced by the Offeror and the Company that, the Vendors and the Offeror, among other parties, have entered into the Share Purchase Agreement on 12 March 2013, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being the aggregate interest of 1,173,102,000 Shares held by the Vendors, representing approximately 72.19% of the entire issued share capital of the Company as at the date of the Joint Announcement at a consideration of HK\$0.2378 per Sale Share. The final consideration of the Sale Shares under the Share Purchase Agreement amounted to in aggregate HK\$278,963,655.

Immediately following the completion of Share Purchase Agreement which took place on 23 August 2013, the Offeror and U-Home Group Investment Limited (being a party acting in concert with the Offeror) became interested in 1,173,102,000 Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned by the Offeror and parties acting in concert with it). This

LETTER FROM HAITONG SECURITIES

letter sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Remaining Group. The terms and procedures of acceptance of the Offer are set out in this letter, Appendix I to this Composite Document of which this letter forms part, and the accompanying Form of Acceptance and Transfer. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise states. The Independent Shareholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from Somerley” as set out in this Composite Document.

THE OFFER

As at the Latest Practicable Date, there were 1,640,000,000 Shares in issue and the Offeror and parties acting in concert with it were interested in a total of 1,173,102,000 Shares, representing approximately 71.53% of the entire issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned by the Offeror and parties acting in concert with it). The Offer is unconditional in all respects.

Haitong Securities, for and on behalf of the Offeror, is making the Offer on the following terms in accordance with Rule 26.1 and Rule 13 of the Takeovers Code:

For each Offer Share HK\$0.2378 in cash

The Offer Price of HK\$0.2378 per Offer Share is the same as the final price per Sale Share paid by the Offeror to the Vendors under the Share Purchase Agreement. The Offer Price would not be affected by the possible downward adjustment on the Share Purchase Price as stipulated in the section headed “The Share Purchase Agreement — Share Purchase Price — Downward adjustment of the Share Purchase Price” in the Joint Announcement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances.

Total benefit receivable by Shareholders under the Offer and the Special Dividend

Reference is made to the Circular. On 23 May 2013, the Board conditionally proposed and recommended the Special Dividend of HK\$0.375 per Share. The distribution of the Special Dividend is subject to completion of the Disposal and the Property Disposal and the approval of the Shareholders of the Special Dividend. The above conditions have been fulfilled as at 23 August 2013. The Special Dividend is expected to be paid on 30 August

LETTER FROM HAITONG SECURITIES

2013. Shareholders may be entitled to the Special Dividend whether they accept the Offer or not during the offer period. Shareholders will receive a total benefit of HK\$0.6128 per Share from the Special Dividend and the Offer if they accept the Offer.

Comparisons of value

The Offer Price of HK\$0.2378 per Share represents:

- (a) a discount of approximately 59.0% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 49.9% to the closing price of HK\$0.475 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) discounts of approximately 50.5%, 50.1% and 42.8% to the average of the closing prices of approximately HK\$0.480, HK\$0.477 and HK\$0.416 per Share respectively for the 5, 30 and 90 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 36.8% to the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.376 per Share as at 31 March 2013 (which is the audited consolidated net asset value to owners of the Company as at 31 March 2013 of approximately HK\$615,943,000 as disclosed in the annual report of the Company for the financial year ended 31 March 2013 divided by the total number of issued Shares of 1,640,000,000 as at the Latest Practicable Date);
- (e) a premium of approximately 319.4% over the unaudited pro forma net asset value of the Remaining Group of approximately HK\$0.0567 per Share (being the unaudited pro forma net asset value of the Remaining Group (taking into account the effect of completion of the Disposal and the Property Disposal) of approximately HK\$92,978,000 as at 31 March 2013 as set out in Appendix III to the Circular, divided by the total number of issued Shares of 1,640,000,000 as at the Latest Practicable Date).

The Offer Price is not less than the price per Sale Share paid by the Offeror under the Share Purchase Agreement.

LETTER FROM HAITONG SECURITIES

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period from 11 September 2012 (being the date falling six months prior to the Last Trading Day) up to and including the Latest Practicable Date were HK\$1.04 on 8 August 2013 and HK\$0.320 per Share on 17 to 21 September 2012, 9 October 2012 and 6 to 7 November 2012.

Value of Offer

As at the Latest Practicable Date, there were 1,640,000,000 Shares in issue. Save as aforesaid, there were no outstanding warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into the Shares.

Based on the number of Offer Shares of 466,898,000, the total number of issued Shares of 1,640,000,000, and the Offer Price of HK\$0.2378 each, the Offer is valued at an aggregate amount of HK\$111,028,344.4, and the entire issued share capital of the Company is valued at HK\$389,992,000.

Confirmation of financial resources

The financial resources of the Offeror to fund the Offer amounting to an aggregate of HK\$111,028,344.4 on a fully-diluted basis are financed as to HK\$55,514,172.2 by the Offeror's internal resources and the remaining balance by a loan facility provided by Haitong Securities. The payment of interest on, repayment of or security for any liability under the loan facility will not depend to any significant extent on the business of the Company. Haitong Capital has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer as at the Latest Practicable Date.

Effect of accepting the Offer

By accepting the Offer, the relevant Shareholders will sell their Shares to the Offeror free from all Encumbrances and with all rights attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date of posting of this Composite Document.

LETTER FROM HAITONG SECURITIES

Stamp duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of: (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror on behalf of the relevant Shareholders accepting the Offer. The Offeror will arrange the payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Settlement of the consideration for the Offer

Settlement of the consideration for the Offer (after deducting the accepting Shareholders' share of stamp duty) will be made as soon as possible but in any event within 7 business days (as defined under the Takeovers Code) of the date on which the relevant documents of title of the Shares are received by the Offeror to render each such acceptance complete and valid or when the Offer has become or declared unconditional, whichever is later.

Overseas Shareholders

The making of the Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

It is the responsibility of each Overseas Shareholder who wish to accept the Offer to satisfy himself/herself/itself as to the full observance of all applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental exchange control or other consents which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by an Overseas Shareholder will be deemed to constitute a representation and warranty from such person to the Offeror, Haitong Capital, Haitong Securities and the Company that he/she/it has observed and is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and that, such acceptance shall be valid and binding in accordance with all applicable laws. Independent Shareholders should consult their professional advisers if in doubt.

LETTER FROM HAITONG SECURITIES

INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability on 4 February 2013. The Offeror is an investment holding company. Its entire issued share capital is held by Shunda Investment Limited which is a company incorporated in the BVI and is in turn wholly owned by Mr. Zhou Xuzhou, being the Purchaser's Warrantor. As such, each of Shunda Investment Limited and Mr. Zhou is an associate (as defined in the Takeovers Code) of the Offeror. Save as disclosed above, there are no other associates (as defined in the Takeovers Code) of the Offeror holding 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Offeror.

Mr. Zhou is a director of the Offeror. He is also the founder and chairman of the board of directors, chief executive officer and the sole shareholder of 宇業集團有限公司 (U-Home Group Limited*). U-Home Group Limited is a company incorporated under the laws of the PRC and, together with over twenty of its subsidiaries, is principally engaged in real estate development, hotel management and property management in various cities in the PRC. Mr. Zhou, through subsidiaries wholly owned by him, has started his real estate business since 1992. U-Home Group Limited and the Offeror are fellow subsidiaries of Shunda Investment Limited. Other biographical details of Mr. Zhou are as follow:

Mr. Zhou, aged 57, obtained a Master of Arts in Library Studies from the University of Wuhan (武漢大學) in 1985 and is primarily responsible for leading the strategic planning and business development of the U-Home Group Limited and overseeing all key aspects of the operations of the U-Home Group Limited, including financial management and project development business. He has over 20 years of experience in the property industry.

INTENTION OF THE OFFEROR REGARDING THE REMAINING GROUP

The Offeror intends to continue the existing businesses of the Remaining Group (including (i) trading of imported pharmaceutical products; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D of chemical and biological products; and (iv) investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits) and has no intention to dispose of or downsize the Remaining Group's existing businesses nor dispose of or inject any of its businesses to the Company immediately after completion of the Offer. Mr. Zhou is primarily responsible for leading the strategic planning and management of the business development of U-Home Group Limited (and over twenty of its subsidiaries) and overseeing all key aspects of its operations. Therefore, Mr. Zhou will manage and develop

LETTER FROM HAITONG SECURITIES

the Remaining Group's operations and business by leveraging on his extensive experience of corporate management and strategic planning, and with the supports of the Lau's Family pursuant to the Management Agreement. The Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Remaining Group with a view to developing corporate strategy to broaden its income stream, which may include expansion of the scope of business of the Remaining Group should appropriate opportunities arise. The Offeror considers that the business of the Remaining Group has a stable income stream, it therefore considers that the Share Purchase and the Offer are in its long-term commercial interest.

As at the Latest Practicable Date, the Offeror has no intention to introduce any major changes to the business of the Remaining Group or to dispose of or re-deploy the assets of the Remaining Group, other than in the ordinary course of business of the Remaining Group, following completion of the Offer. Also, other than the proposed change of Board composition as set out in the section below, the Offeror intends to continue the employment of employees of the Group.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of six Directors, comprising three executive Directors, namely Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming and three independent non-executive Directors, namely Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa. All of the current executive Directors and independent non-executive Directors have tendered their resignation to the Board but each of them has indicated in his/her resignation letter that his/her resignation is subject to the Takeovers Code and shall not take effect until the earliest possible date when such resignations may be permitted to take effect under the Takeovers Code.

The Offeror intends to nominate three executive Directors, namely Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan, one non-executive Director, namely Mr. Chen Xuejun, and three independent non-executive Directors, namely Mr. Gao Guanjiang, Professor Wilton Chi Wai Chau and Mr. Lee Cheuk Yin Dannis, to the Board with effect from 30 August 2013 after despatch of this Composite Document.

The biography of Mr. Zhou Xuzhou is set out in the paragraph headed "Information on the Offeror" in this letter.

LETTER FROM HAITONG SECURITIES

The biographical details of Mr. Liu Lailin, Ms. Zhou Wen Chuan, Mr. Chen Xuejun, Mr. Gao Guanjiang, Professor Wilton Chi Wai Chau and Mr. Lee Cheuk Yin Dannis (together with Mr. Zhou Xuzhou, the “**New Directors**”) are as follows:

Executive Directors

Mr. Liu Lailin, aged 56, joined 安徽宇華實業有限公司 (Anhui Yuhua Enterprises Company Ltd.*), the immediate holding company of U-Home Group Limited, in 1994. He is currently a director and executive vice president of U-Home Group Limited and the chairman of 滁州宇達物業開發有限公司 (Chuzhou Yuda Property Development Company Ltd.*), a subsidiary of U-Home Group Limited. Prior to joining Anhui Yuhua Enterprises Company Ltd., Mr. Liu was the assistant accountant of 大唐湘潭發電有限責任公司 (Datang Xiangtan Power Generation Co., Ltd.*). Mr. Liu has over 16 years of experience in real estate management. He obtained a Diploma of Management of Industrial Enterprise from Hunan Radio and Television University in 1986.

Ms. Zhou Wen Chuan, aged 30, joined U-Home Group Limited in 2009 and has been the assistant to the chairman of the board of directors since then. Ms. Zhou obtained a master degree in Business Administration from the Chinese University of Hong Kong in 2011, and a master degree in Food Science and a bachelor degree in Science in Food Nutrition and Health from the University of British Columbia in 2008 and 2007, respectively. Ms. Zhou is the daughter of Mr. Zhou Xuzhou.

Non-executive Director

Mr. Chen Xuejun, aged 49, has been appointed as director of three subsidiaries of U-Home Group Limited, namely, 滁州宇和置業有限公司 (Chuzhou Yuhe Property Company Ltd.*) , 江蘇宇泰置業有限公司 (Jiangsu Yutai Property Comapany Ltd.*) and 黃山宇達置業有限公司 (Huangshan Yuda Property Comapany Ltd.*) since 2009. Mr. Chen set up 深圳市嶺南投資發展有限公司 (Shenzhen Lingnan Investment Development Company Limited*) in 2004 and was the chairman since then. Mr. Chen has around 10 years of experience in property development.

LETTER FROM HAITONG SECURITIES

Independent non-executive Directors

Mr. Gao Guanjian, aged 61, graduated from the University of Wuhan (武漢大學) with a Ph. D in Economics in 1998. Mr. Gao is currently the chairman of Cinda Securities Co., Ltd. (信達證券股份有限公司) and an executive director of Cinda International Holdings Limited (Stock Code: 111). Mr. Gao has over 20 years of experience in commercial banking, investment banking, business administration and securities and finance.

Professor Wilton Chi Wai Chau, aged 52, obtained a doctoral degree in business administration, a master degree in business administration, a bachelor degree in laws and a bachelor degree in science. He is a fellow member of the Chartered Association of Certified Accountants (UK). Prof. Chau currently serves on the boards and committees of non-profit making organisations, including Hong Kong Biotechnology Organisation and Hong Kong Business Angel Network Limited. He was an independent non-executive director of Guangshen Railway Company Limited (H-share stock code: 525; A-share stock code: 601333) from 2004 to 2011. He is also an adjunct Professor at the department of finance in the Chinese University of Hong Kong. Prof. Chau has over 26 years of experience in direct investment and venture capital.

Mr. Lee Cheuk Yin Dannis, aged 43, obtained a bachelor degree in business administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lee is currently an independent non-executive director of Geely Automobile Holdings Limited (Stock Code: 175) and Tiangong International Company Limited (Stock Code: 826) respectively. He was also a non-executive director of Kam Hing International Holdings Limited (Stock Code: 2307) from 2009 to 2011 and an executive director of AMCO United Holding Limited (Stock Code: 630) from 2010 to 2011. He possesses over 20 years of experience in accounting and auditing field.

Each of the New Directors will enter into a service contract or a letter of appointment (as the case may be) with the Company, and the details of which will be disclosed in a further announcement to be made by the Company.

As at the Latest Practicable Date, save as disclosed above, each of the New Directors confirms that (i) he/she does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders, or controlling shareholder of the Company; (ii) he/she does not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) he/she does not hold other positions with the Company and other members of the Group; (iv) he/she did not hold any directorship in the last three years in any public companies the securities of which are listed on any securities market in Hong

LETTER FROM HAITONG SECURITIES

Kong or overseas; and (v) he/she does not have any other matters that need to be brought to the attention of the Shareholders nor does he/she have any other information that is required to be disclosed pursuant to any of the requirements under 13.51(2) of the Listing Rules.

As at the Latest Practicable Date, the Offeror had not identified other candidates for appointment on the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made pursuant to Rule 13.51(2) of the Listing Rules accordingly. Save as disclosed in this section, the Offeror does not intend to undergo any changes to the Board of the Remaining Group after the close of the Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange upon the close of the Offer and has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure sufficient public float of the Shares.

If, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

TAX IMPLICATIONS

None of the Company, the Offeror, Haitong Capital, Haitong Securities, the Independent Financial Adviser, the Registrar or any of their respective directors or any other parties involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications. The Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the Company, the Offeror, the professional advisers to the Company and the Offeror or any of their respective directors or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders.

LETTER FROM HAITONG SECURITIES

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the Form of Acceptance and Transfer.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to the Independent Shareholders will be sent to them by ordinary post at their own risk to their addresses as they appear in the register of members of the Company or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the branch register of members of the Company, as applicable. None of the Company, the Offeror, Haitong Capital, Haitong Securities, the Independent Financial Adviser, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after close of the Offer.

ADDITIONAL INFORMATION

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

Yours faithfully,

For and on behalf of

Haitong International Securities Company Limited

Hui Yee, Wilson

Managing Director

LETTER FROM THE BOARD



JIWA BIO-PHARM HOLDINGS LIMITED

積華生物醫藥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2327)

Executive Directors:

Mr. Lau Yau Bor (*Chairman*)

Mr. Lau Kin Tung (*Vice Chairman*)

Madam Chan Hing Ming (*Chief Executive Officer*)

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Chiu Wai Piu

Mr. Choy Ping Sheung

Mr. Fung Tze Wa

Head office and principal

place of business:

2904, Tower One

Lippo Centre

89 Queensway

Central

Hong Kong

30 August 2013

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF
U-HOME GROUP INTERNATIONAL LIMITED
FOR ALL THE ISSUED SHARES IN
JIWA BIO-PHARM HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
AGREED TO BE ACQUIRED BY
U-HOME GROUP INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

* for identification purpose only

LETTER FROM THE BOARD

INTRODUCTION

On 22 April 2013, the Company and the Offeror jointly announced that on 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as vendors, and the Offeror as purchaser, among others, entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Share Purchase Price. The Share Purchase was completed on 23 August 2013, upon which the Offeror and U-Home Group Investment Limited (being a company indirectly wholly owned by the Purchaser's Warrantor and a party acting in concert with the Offeror) became the owners of approximately 51.22% and 20.31% of the entire issued share capital of the Company as at the Latest Practicable Date respectively. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Haitong Securities is making the Offer on behalf of the Offeror.

The purpose of this Composite Document is to provide you with, among others, information relating to the Group, the Offeror and the Offer as well as to set out the "Letter from the Independent Board Committee" containing its recommendation to the Independent Shareholders in respect of the Offer and the "Letter from Somerley" containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa, has been formed to advise the Independent Shareholders in respect of the Offer. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. The appointment of Somerley has been approved by the Independent Board Committee.

You are advised to read the "Letter from the Independent Board Committee" addressed to the Independent Shareholders and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

LETTER FROM THE BOARD

UNCONDITIONAL MANDATORY CASH OFFER

Principal terms of the Offer

Haitong Securities, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following terms:

For each Offer Share HK\$0.2378 in cash

The Offer Price is HK\$0.2378 for each Offer Share, which is the same as the final price per Sale Share paid by the Offeror under the Share Purchase Agreement. The Offer Price would not be affected by the possible downward adjustment on the final Share Purchase Price as stipulated in the section headed “The Share Purchase Agreement — Share Purchase Price — Downward adjustment of the Share Purchase Price” in the Joint Announcement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code. The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document.

Further details of the Offer

Further details of the Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from Haitong Securities”, Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Group is principally engaged in trading of imported pharmaceutical products in the PRC, distribution and sale of healthcare products in local Hong Kong market, R&D of chemical and biological products, and investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits.

For the years ended 31 March 2012 and 2013, the Group recorded audited consolidated profit before income tax of approximately HK\$75.3 million and HK\$47.3 million respectively, and profit attributable to owners of the Company of approximately HK\$70.6 million and HK\$41.8 million respectively. The audited consolidated net assets attributable to owners of the Company as at 31 March 2012 and 2013 were approximately HK\$604.6 million and HK\$615.9 million respectively.

The Disposal and the Property Disposal were completed on 23 August 2013. The Company is expected to distribute the Special Dividend on 30 August 2013. Based on the unaudited pro forma financial statements of the Remaining Group as set out in the announcement of the Company dated 1 August 2013, assuming completion of the Disposal and the Property Disposal took place on 1 April 2012, the Remaining Group would have recorded net profit attributable to owners of the Company of approximately HK\$123.0 million for the year ended 31 March 2013. Based on the unaudited pro forma consolidated statement of financial position as set out in the Circular, assuming completion of the Disposal and the Property Disposal and the distribution of the Special Dividend took place on 31 March 2013, the Remaining Group would have recorded net assets attributable to owners of the Company of approximately HK\$93.0 million as at 31 March 2013.

Further financial information in relation to the Group is set out in Appendix II to this Composite Document. Please also refer to the Circular and the Company's announcement dated 1 August 2013 for further financial information in relation to the Remaining Group.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

Reference is made to the Joint Announcement. Mr. Lau Kin Tung, an executive Director and one of the Vendors, informed the Company on 22 August 2013 that Ms. Xia Tian, his spouse owned 1,362,000 Shares (representing approximately 0.08% of the issued share capital of the Company) as at 22 April 2013, being the date of the Joint Announcement and Ms. Xia Tian ceased to have any shareholding in the Company on 10 May 2013. Since such information was not available to the Company at the time of preparing and issue of the Joint Announcement, the 1,362,000 Shares owned by Ms. Xia Tian as at the date of the Joint Announcement was inaccurately counted toward the shareholding of the public Shareholders in the shareholding structure of the Company presented on page 11 of the Joint Announcement. Please also refer to the joint announcement of the Company and the Offeror dated 30 August 2013 in respect of, among other things, details of the aforesaid clarification.

The following table sets out (i) the accurate shareholding structure of the Company as at the date of the Joint Announcement; (ii) the shareholding structure of the Company immediately before completion of the Share Purchase Agreement; and (iii) the shareholding structure of the Company immediately after completion of the Share Purchase Agreement and as at the Latest Practicable Date:

Name of Shareholders	As at the date of the Joint Announcement		Immediately before completion of the Share Purchase Agreement		Immediately after completion of the Share Purchase Agreement and as at the Latest Practicable Date	
	Number of Shares held	% of Shares in issue	Number of Shares held	% of Shares in issue	Number of Shares held	% of Shares in issue
The Offeror	—	—	—	—	840,000,000	51.22
U-Home Group Investment Limited	—	—	—	—	333,102,000	20.31
The Offeror and parties acting in concert with it	—	—	—	—	1,173,102,000	71.53
Mr. Lau Yau Bor	96,390,000	5.93	96,390,000	5.88	—	—
Madam Chan Hing Ming	41,712,000	2.57	41,712,000	2.54	—	—
Mr. Lau Kin Tung	15,000,000	0.92	15,000,000	0.91	—	—
LAUs Holding Co. Ltd.	840,000,000	51.69	840,000,000	51.22	—	—
MINGS Development Holdings Limited	75,000,000	4.62	75,000,000	4.57	—	—
WHYS Holding Co. Ltd.	105,000,000	6.46	105,000,000	6.40	—	—
Ms. Xia Tian	1,362,000	0.08	—	—	—	—
Sub-total of the Vendors and parties acting in concert with any of them	1,174,464,000	72.27	1,173,102,000	71.53	—	—
Public Shareholders	450,536,000	27.73	466,898,000	28.47	466,898,000	28.47
Total	1,625,000,000	100.00	1,640,000,000	100.00	1,640,000,000	100.00

LETTER FROM THE BOARD

Save as disclosed above, no change is required to be made to the information contained in the Joint Announcement, the Circular and any other documents (as defined under the Takeovers Code) in respect of the Offer and the Special Deals (as defined in the Joint Announcement) issued by the Company and/or the Offeror prior to the Latest Practicable Date.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Haitong Securities” of this Composite Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the existing businesses of the Group (including (i) trading of imported pharmaceutical products; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D of chemical and biological products; and (iv) investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits) and has no intention to dispose of or downsize the Group’s existing businesses nor inject any of its businesses to the Company immediately after completion of the Offer. The Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Group with a view to developing corporate strategy to broaden its income stream, which may include expansion of the scope of business of the Group should appropriate opportunities arise. For further details, please refer to the section headed “Intention of the Offeror regarding the Remaining Group” in the “Letter from Haitong Securities” of this Composite Document.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of six Directors, comprising three executive Directors, namely Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming and three independent non-executive Directors, namely Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa. All of the current executive Directors and independent non-executive Directors have tendered their resignation to the Board but each of them has indicated in his/her resignation letter that his/her resignation is subject to the Takeovers Code and shall not take effect until the earliest possible date when such resignations may be permitted to take effect under the Takeovers Code. The Offeror intends to nominate three executive Directors, namely Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan, one non-executive Director, Mr. Chen Xuejun, and three independent non-executive Directors, namely Mr. Gao Guanjiang, Professor Wilton Chi Wai Chau and Mr. Lee Cheuk Yin Dannis to the Board with effect from 30 August 2013 after the despatch of this Composite Document. For further details, please refer to the section headed “Proposed change of Board composition” in the “Letter from Haitong Securities” of this Composite Document.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing status of the Company on the main board of the Stock Exchange upon the close of the Offer and has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure sufficient public float of the Shares.

The Stock Exchange has stated that if, at the closing of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend dealings in the Shares.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Somerley, respectively, which set out their recommendations and opinions in relation to the Offer and the principal factors considered by them before arriving at their recommendations.

ADDITIONAL INFORMATION

You are advised to read carefully the Appendix I to this Composite Document together with the accompanying Form of Acceptance and Transfer in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the other appendices to this Composite Document.

Yours faithfully,

By order of the Board

Jiwa Bio-Pharm Holdings Limited

Chan Hing Ming

Executive Director and Chief Executive Officer



JIWA BIO-PHARM HOLDINGS LIMITED

積華生物醫藥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2327)

30 August 2013

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF
U-HOME GROUP INTERNATIONAL LIMITED
FOR ALL THE ISSUED SHARES IN
JIWA BIO-PHARM HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
AGREED TO BE ACQUIRED BY
U-HOME GROUP INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 30 August 2013 jointly issued by the Company and the Offeror (the “**Composite Document**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Offer. Somerley has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from Somerley” on pages 27 to 45 of the Composite Document.

** for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Offer, the advice from the Independent Financial Adviser and the principal factors taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Offer. However, we would like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the period of the Offer. Should the market price of the Shares exceed the Offer Price during the period of the Offer, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Jiwa Bio-Pharm Holdings Limited

Mr. Chiu Wai Piu

Mr. Choy Ping Sheung

Mr. Fung Tze Wa

Independent Non-executive Directors

LETTER FROM SOMERLEY

The following is the full text of a letter of advice from Somerley to the Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in the Composite Document.



SOMERLEY LIMITED

20th Floor

Aon China Building

29 Queen's Road Central

Hong Kong

30 August 2013

*To: The Independent Board Committee of
JIWA Bio-Pharm Holdings Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF
U-HOME GROUP INTERNATIONAL LIMITED
FOR ALL THE ISSUED SHARES IN
JIWA BIO-PHARM HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
AGREED TO BE ACQUIRED
BY U-HOME GROUP INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the unconditional mandatory cash offer by Haitong International Securities Company Limited for and on behalf of U-Home Group International Limited to acquire all the issued shares of Jiwa Bio-Pharm Holdings Limited (other than those already owned by or agreed to be acquired by U-Home Group International Limited and parties acting in concert with it). Details of the Offer are set out in the Composite Document to the Independent Shareholders dated 30 August 2013, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

LETTER FROM SOMERLEY

On 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as vendors, and the Offeror as purchaser entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the issued share capital of the Company as at the Latest Practicable Date, at the Share Purchase Price. As disclosed in the joint announcement made by the Company and the Offeror dated 23 August 2013 relating to the completion of the Share Purchase Agreement and the Offer, immediately upon completion of the Share Purchase on 23 August 2013, the Offeror and U-Home Group Investment Limited (being a party acting in concert with the Offeror) became the owners of approximately 51.22% and 20.31% of the entire issued share capital of the Company respectively. Accordingly, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa, has been formed to advise the Independent Shareholders on whether terms of the Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed as the independent financial adviser to advise the Independent Board Committee on these matters. Our appointment has been approved by the Independent Board Committee.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM SOMERLEY

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the “**Management**”), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, annual reports of the Company for the years ended 31 March 2012 and 31 March 2013 (the “**2013 Annual Report**”), the Circular, the Company’s announcement dated 1 August 2013 in relation to the clarification of certain unaudited pro forma financial information of the Remaining Group set out in the Circular (the “**Clarification Announcement**”) and other information contained in the Composite Document. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. The Company will notify the Shareholders of any material changes during the Offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer period (as defined under the Takeovers Code). We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true at the time they were made and at the date of the Composite Document and Shareholders will be notified of any material changes as soon as possible, if any.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

LETTER FROM SOMERLEY

PRINCIPAL TERMS OF THE OFFER

The Offer

Haitong Securities is making the Offer for and on behalf of the Offeror to acquire the Offer Shares on the following basis:

For each Offer Share HK\$0.2378 in cash

The Offer Price of HK\$0.2378 for each Offer Share is the same as the final price for each Sale Share paid by the Offeror under the Share Purchase Agreement. **There was no downward adjustment on the final Share Purchase Price as stipulated in the section headed “The Share Purchase Agreement — Share Purchase Price — Downward adjustment of the Share Purchase Price” in the Joint Announcement.** The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances.

Details of the terms of the Offer are contained in the letter from Haitong Securities and Appendix I to the Composite Document. Independent Shareholders are urged to read the relevant sections in the Composite Document in full.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background leading to the Offer

On 22 April 2013, the Company and the Offeror jointly announced that on 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as vendors, and the Offeror as purchaser entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Share Purchase Price.

LETTER FROM SOMERLEY

On the same date of the Share Purchase Agreement, the Group also entered into various agreements relating to the Disposal (the “**Disposal Agreement**”), the Property Disposal (the “**Property Disposal Agreement**”), the option to require Sunny Enterprise Limited to purchase from the Remaining Group the Option Property (as defined below) (the “**Property Option Deed**”) and the provision of management services to be provided by Sunny Enterprise Limited to the Remaining Group (the “**Management Agreement**”). Details of each of such agreements are set out in the Circular. Completion of the Share Purchase Agreement was conditional upon, among other things, the Independent Shareholders having approved by way of poll the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed and the Management Agreement and the respective transactions contemplated thereunder, and the Disposal Agreement and the Property Disposal Agreement having become unconditional in accordance with the terms thereof (save for the conditions precedent to the completion of the Share Purchase Agreement).

As jointly announced by the Company and the Offeror on 23 August 2013, the completion of the Share Purchase Agreement took place on 23 August 2013. Immediately upon completion of the Share Purchase on 23 August 2013, the Offeror and U-Home Group Investment Limited (being a company indirectly wholly owned by the Purchaser’s Warrantor and a party acting in concert with the Offeror) became the owners of approximately 51.22% and 20.31% of the entire issued share capital of the Company respectively. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). As stated in the letter from the Board, the Special Dividend is expected to be paid on 30 August 2013.

2. Information on the Remaining Group

The principal activity of the Company is investment holding. Following the completion of the Disposal, the Remaining Group is principally engaged in (i) trading of imported pharmaceutical products in the PRC; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D of chemical and biological products; and (iv) investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits.

LETTER FROM SOMERLEY

(a) Financial performance of the Remaining Group

Set out below are a summary of the unaudited pro forma consolidated revenue and profit figures of the Remaining Group for the year ended 31 March 2013 (as if the Disposal (and those transactions that are considered to be inter-conditional to the Disposal) had been completed on 1 April 2012) as extracted from the unaudited pro forma consolidated statement of comprehensive income (the “**Pro Forma Income Statement**”) set out in the Circular and the subsequent amendments stated in the Clarification Announcement:

	For the year ended 31 March 2013 (unaudited) HK\$'000
Revenue	35,648
Cost of sales	<u>(27,720)</u>
Gross profit	7,928
Other income	2,601
Administrative expenses	(10,674)
Other operating expenses	(4,476)
Other gains and losses	<u>134,746</u>
Operating profit	130,125
Finance costs	<u>(2,996)</u>
Profit before income tax	127,129
Income tax expense	<u>(4,174)</u>
Profit for the year attributable to owners of the Company	<u><u>122,955</u></u>

LETTER FROM SOMERLEY

For the financial year ended 31 March 2013, the total revenue of approximately HK\$35.6 million of the Group was entirely contributed by the Remaining Group's business of trading of pharmaceutical and healthcare products. As discussed in the letter from the Board of the Circular, in the view that 昆明積大製藥股份有限公司 (Kunming Jida Pharmaceutical Company Limited*, “**Kunming Jida**”) had been accounted for as an associate in the consolidated financial statement of the Group before the Disposal and its financial results and position has been equity-accounted for in the consolidated financial statements of the Group, completion of the Disposal was not expected to have impact on the revenue of the Remaining Group and its principal activities will remain as (i) trading of imported pharmaceutical products in the PRC; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D of chemical and biological products; and (iv) investment holding and treasury function (such as, among others, entering into currency forward contracts and making premium deposits). Accordingly, based on the Pro Forma Income Statement and on the assumption as if the Disposal (and those transactions that are considered to be inter-conditional to the Disposal) had been completed on 1 April 2012, the pro forma revenue and gross profit of the Remaining Group would remain as approximately HK\$35.6 million and HK\$7.9 million respectively for the year ended 31 March 2013 following the completion of the Disposal (and those transactions that are considered to be inter-conditional to the Disposal).

The Group reported an audited net profit before and after income tax of approximately HK\$47.3 million and HK\$41.8 million respectively for the financial year ended 31 March 2013. Based on the 2013 Annual Report, the Group had recognised a share of profit from associates which was mainly attributable to Kunming Jida and its subsidiaries of approximately HK\$35.4 million for the financial year ended 31 March 2013. If only taking into account the exclusion of the share of results of associates of approximately HK\$35.4 million for the financial year ended 31 March 2013, the Group's profit before and after income tax for the period would become approximately HK\$11.9 million and HK\$6.4 million respectively.

According to the Pro Forma Income Statement, as a result of the completion of the Disposal (and those transactions that are considered to be inter-conditional to the Disposal) and after taking into account, among other things, the estimated gain on the Disposal, adjustments regarding the deconsolidation of the results of the Jiwa Pharmaceuticals Limited (together with its 49% interest in Kunming Jida and its subsidiaries) and the estimated gain on the Property Disposal, the pro forma operating profit of the Remaining Group for the year ended 31 March 2013 would increase from approximately HK\$16.4 million to approximately HK\$130.1 million, whilst the pro forma profit for

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LETTER FROM SOMERLEY

the year attributable to owners of the Company for the year ended 31 March 2013 would increase from approximately HK\$41.8 million to approximately HK\$123.0 million.

(b) Financial position of the Remaining Group

Set out below are the highlights on the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2013 (as if the Disposal (and those transactions that are considered to be inter-conditional to the Disposal) had been completed as at 31 March 2013) as extracted from the unaudited pro forma consolidated statement of financial position in the Appendix III to the Circular:

	As at 31 March 2013 (unaudited) HK\$'000
Non-current assets	
Investment properties	33,000
Other non-current assets	373
	<hr/> 33,373
Current assets	
Treasury products at fair value through profit or loss	100,888
Cash and cash equivalents	56,896
Other current assets	28,887
	<hr/> 186,671
Current liabilities	
Bank borrowings	108,725
Other non-current liabilities	18,124
	<hr/> 126,849
Non-current liabilities	217
Total equity	
Equity attributable to owners of the Company	92,984
Non-controlling interests	(6)
	<hr/> 92,978
	<hr/> <hr/>

LETTER FROM SOMERLEY

Following the completion of the Disposal (and those transactions that are considered to be inter-conditional to the Disposal), the principal asset of the Remaining Group would comprise mainly its holding of, among other things, (i) a non-residential property located at No.6, 29/F., Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong (the “**Option Property**”); (ii) treasury products including debt securities in an aggregate principal amount of US\$12.6 million; and (iii) cash and cash equivalents, while its liabilities would include mainly bank loans. Based on the unaudited pro forma consolidated net asset value of the Remaining Group attributable to owners of the Company of approximately HK\$93.0 million as at 31 March 2013 as set out in Appendix III to the Circular and a total of 1,640,000,000 Shares in issue as at the Latest Practicable Date, the unaudited pro forma consolidated net asset value of the Remaining Group attributable to owners of the Company would be approximately HK\$0.0567 per Share (the “**Pro Forma NAV Per Share**”) after taking into account the effects of the Disposal (and those transactions that are considered to be inter-conditional to the Disposal).

3. Prospects of the Group

Following completion of the Disposal, the principal business of the Remaining Group will remain as (i) trading of imported pharmaceutical products in the PRC; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D of chemical and biological products, and; (iv) investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits.

It was discussed in the Circular that the business model of the Remaining Group will be consistent with that operated by the Group since the Group’s commencement of the trading business of imported pharmaceutical products since 1989. In light of the recent decrease in total revenue of the Group from approximately HK\$203.8 million for the financial year ended 31 March 2012 to HK\$35.6 million for the financial year ended 31 March 2013, which was mainly due to the decrease in demand as a result of Kunming Jida having established its own trading division in late 2011 to directly procure drugs from supplier in Europe instead of purchasing drugs from the Group, and in order to strengthen the Remaining Group’s trading business, the Remaining Group has started to look at trading opportunities in different regions and industries building on its market network in Europe, ASEAN and the PRC as well as the extensive experience of its management in trading business. It was also discussed in the Circular that the Remaining Group will explore new pharmaceutical product opportunities from European countries to enhance the existing pharmaceutical

LETTER FROM SOMERLEY

products profile for sale to existing PRC distributors. It intends to also extend the trading business by soliciting the European pharmaceutical suppliers for new patented drugs in specialised medical area mainly in gastro-intestinal and musculo-skeletal categories and by trading other pharmaceutical related products such as medical instrument and skincare products. However, as provided by the Company, no such new trading opportunity has been obtained by the Remaining Group as at the Latest Practicable Date.

In the R&D business, the Remaining Group industrialises and commercialises chemical and pharmaceutical products. The existing projects currently undertaken by the Remaining Group include the (i) GSH production technology project for liver disease under the technology transfer agreement dated 23 July 2012 (the “TTA”) which was entered into between Base Affirm International Limited (a wholly-owned subsidiaries of the Company) and 雲南積大生物科技有限公司 (Yunnan Jida Biotech Limited*, a wholly-owned subsidiaries of Kunming Jida), and (ii) D-7ACA production technology project, which is about the development of the technology of an intermediate for anti-biotic products and studying of the application of technology to certain downstream anti-biotic products. As reported in the 2013 Annual Report, the R&D business segment recorded a segment loss of approximately HK\$1.7 million for the financial year ended 31 March 2012, whilst contributed a segment profit of approximately HK\$21.7 million which was mainly attributable to the stage payment received relating to the transfer of the GSH production technology to Yunnan Jida Biotech Limited under the TTA, for the financial year ended 31 March 2013. Given the nature of the R&D business the income generating capability of which will be subject to the success of its R&D projects, it is reasonable to expect that the R&D business segment may not always be able to provide a stable income to the Group. However, the Management is continuously propelling the existing projects as well as putting continuous efforts in identifying R&D projects with potentials. As provided by the Company, the Remaining Group will continue to seek customers for the industrialisation and commercialisation of the existing successful R&D projects, as well as to seek strategic partner for co-operation in new R&D projects. However, according to the Company, no new R&D projects have been undertaken by the Remaining Group as at the Latest Practicable Date.

Based on discussion above, we note that the business prospect and any improvement in the results of the Remaining Group could be affected by factors including (i) whether the Remaining Group could successfully explore new pharmaceutical product opportunities for its existing trading business and/or to enhance its pharmaceutical products profile; and (ii) the Remaining Group’s capability to industrialise and commercialise the existing R&D projects and to identify new R&D projects with

potentials. In addition, despite that, as disclosed in the letter from Haitong Securities of the Composite Document, the Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Remaining Group with a view to develop corporate strategy to broaden its income stream, which may include expansion of the scope of business of the Remaining Group should appropriate opportunities arise, there has been however no detailed business plan provided by the Offeror in these regards as at the Latest Practicable Date. Given the above circumstances, the business prospect and/or improvement in the results of the Remaining Group in the near future is considered uncertain.

4. Information on the Offeror

As set out in the letter from Haitong Securities of the Composite Document, the Offeror is a company incorporated in the BVI with limited liability on 4 February 2013. The Offeror is an investment holding company. Its entire issued share capital is held by Shunda Investment Limited which is a company incorporated in the BVI and is wholly owned by Mr. Zhou Xuzhou, being the Purchaser's Warrantor. As such, each of Shunda Investment Limited and Mr. Zhou is an associate (as defined in the Takeovers Code) of the Offeror.

Mr. Zhou is a director of the Offeror. He is also the founder and chairman of the board of directors, chief executive officer and the sole shareholder of 宇業集團有限公司 (U-Home Group Limited*). U-Home Group Limited is a company incorporated under the laws of the PRC and, together with over twenty of its subsidiaries, is principally engaged in real estate development, hotel management and property management in various cities in the PRC. Mr. Zhou, through subsidiaries wholly owned by him, has started his real estate business since 1992. U-Home Group Limited and the Offeror are fellow subsidiaries of Shunda Investment Limited.

Independent Shareholders may refer to the letter from Haitong Securities of the Composite Document for further information on the Offeror and Mr. Zhou.

5. Intention of the Offeror regarding the Remaining Group and proposed change in board composition

As set out in the letter from Haitong Securities of the Composite Document, the Offeror intends to continue the existing businesses of the Remaining Group (including (i) trading of imported pharmaceutical products; (ii) distribution and sale of healthcare products in local Hong Kong market (iii) R&D of chemical and biological products; and (iv) investment holding and treasury function such

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LETTER FROM SOMERLEY

as, among others, entering into currency forward contracts and making premium deposits) and has no intention to dispose of or downsize the Remaining Group's existing businesses nor dispose of or inject any of its businesses to the Company immediately after completion of the Offer. Mr. Zhou is primarily responsible for leading the strategic planning and management of the business development of U-Home Group Limited (and over twenty of its subsidiaries) and overseeing all key aspects of its operations. Therefore, Mr. Zhou will manage and develop the Remaining Group's operations and business with the supports of the Lau's Family pursuant to the Management Agreement. The Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Remaining Group with a view to developing corporate strategy to broaden its income stream, which may include expansion of the scope of business of the Remaining Group should appropriate opportunities arise.

As at the Latest Practicable Date, the Offeror has no intention to introduce any major changes to the business of the Remaining Group or to dispose of or re-deploy the assets of the Remaining Group, other than in the ordinary course of business of the Remaining Group, following completion of the Offer. Also, as disclosed in the letter from Haitong Securities of the Composite Document, other than the proposed change of Board composition, the Offeror does not intend to discontinue the employment of employees of the Group.

As further stated in the letter from Haitong Securities of the Composite Document, all of the current executive Directors and independent non-executive Directors have tendered their resignation to the Board but each of them has indicated in his/her resignation letter that his/her resignation is subject to the Takeovers Code and shall not take effect until the earliest possible date when such resignations may be permitted to take effect under the Takeovers Code. The Offeror intends to nominate three executive Directors, namely Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan, one non-executive Director, namely Mr. Chen Xuejun and three independent non-executive Directors, namely Mr. Gao Guanjiang, Professor Wilton Chi Wai Chau and Mr. Lee Cheuk Yin Dannis to the Board with effect from 30 August 2013 after the despatch of the Composite Document.

Independent Shareholders may refer to the letter from Haitong Securities of the Composite Document for further details on the intention of the Offeror regarding the Group and the proposed changes of Board composition.

LETTER FROM SOMERLEY

Although the Offeror and the new Directors to be nominated by the Offeror do not have particular experiences in the pharmaceutical industry, the Company has retained the Lau's Family to manage the business of the Remaining Group for a period of two years following completion of the Disposal pursuant to the Management Agreement which is expected to enable a smooth transition of the management of the Remaining Group.

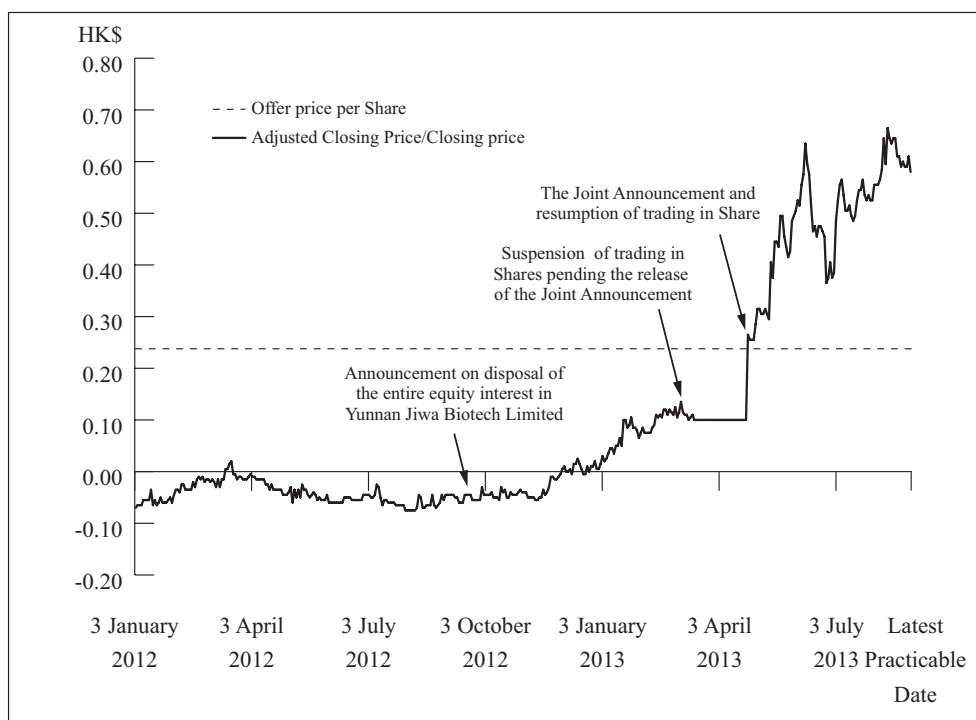
As disclosed in the letter from Haitong Securities of the Composite Document, the Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange upon the close of the Offer and has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure sufficient public float of the Shares.

6. Offer Price comparison

(a) Historical price performance and liquidity of the Shares

As the Special Dividend is expected to be paid on 30 August 2013, following completion of the Disposal and the Property Disposal, to the Shareholders whose names appeared on the Company's share register on 21 August 2013 (the "**Qualifying Shareholders**"), the rights to the Special Dividend were not attached to the Sale Shares purchased by the Offeror. All Qualifying Shareholders are entitled to the Special Dividend whether they accept the Offer or not during the offer period. Accordingly, when comparing the Offer Price relative to the historical price performance of the Shares, we have considered the comparisons of the Offer Price against the historical closing price of the Shares after adjusted for the Special Dividend (the "**Adjusted Closing Prices**") prior to 16 August 2013 (being the ex-entitlement date with respect to the Special Dividend, the "**Ex-Entitlement Date**") and the daily closing prices of the Shares from the Ex-Entitlement Date, during the period from 3 January 2012 up to the Latest Practicable Date (collectively, the "**Review Period**"):

LETTER FROM SOMERLEY



Source: Website of the Stock Exchange

From the chart above, the Adjusted Closing Price of the Shares were ranged from a negative value to HK\$0.135 per Share during the period from 3 January 2012 and 11 March 2013, being the last trading day for the Shares prior to the suspension of trading in the Shares pending the publication of the Joint Announcement (the “**Last Trading Day**”) (both dates inclusive, the “**Pre-Announcement Period**”). The Offer Price is consistently higher than the Adjusted Closing Prices during the whole Pre-Announcement Period and, in particular, represents:

- (i) a premium of approximately 137.8% over the Adjusted Closing Price of approximately HK\$0.100 per Share on the Last Trading Day;
- (ii) a premium of approximately 114.2% over the average Adjusted Closing Price of approximately HK\$0.111 per Share for the 10 trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 133.1% over the average Adjusted Closing Price of approximately HK\$0.102 per Share for the 30 trading days immediately prior to and including the Last Trading Day;

LETTER FROM SOMERLEY

- (iv) a premium of approximately 480.0% over the average Adjusted Closing Price of approximately HK\$0.041 per Share for the 90 trading days immediately prior to and including the Last Trading Day;
- (v) a premium over the average Adjusted Closing Price of a negative value during the Pre-Announcement Period; and
- (vi) a premium of approximately 319.4% over the Pro Forma NAV Per Share of approximately HK\$0.0567.

Following the release of the Joint Announcement and the resumption of trading in Shares on 23 April 2013, the Adjusted Closing Price per Share soured from HK\$0.100 on the Last Trading Day to HK\$0.265 on 23 April 2013, representing an increase of around 165.0% as compared with the closing price as at the Last Trading Day, and since then started to pick up an increasing trend. The Adjusted Closing Price reached its peak of HK\$0.665 per Share on 8 August 2013 and stood at HK\$0.645 per Share on the trading date immediately prior to the Ex-Entitlement Date. The closing prices of the Shares during the period from the Ex-Entitlement Date to the Latest Practicable Date then ranged from HK\$0.580 to HK\$0.610 per Share. The average of the closing prices per Share during the same period was approximately HK\$0.598 where the Offer Price represents a discount of approximately 60.2% to such average closing price. The Offer Price also represents a discount of approximately 59.0% to the closing price of HK\$0.580 per Share as at the Latest Practicable Date.

Notwithstanding that the Offer Price has been, during the most of the time in the Review Period, at premium to the Adjusted Closing Price of the Shares, we believe the surge of the Adjusted Closing Price/closing price (as the case may be) of the Shares since the release of the Joint Announcement has been likely to be attributable to the market reaction to the publication of the Joint Announcement, the Disposal, the distribution of the Special Dividend and the Offer, and the sustainability of the current Share price level could be, therefore, uncertain.

We have compared the Offer Price with the Pro Forma NAV Per Share of the Remaining Group and noted that the Offer Price of HK\$0.2378 per Offer Share represents a premium of approximately 319.4% over the Pro Forma NAV Per Share of approximately HK\$0.0567 which is considered favourable so far as the Independent Shareholders are concerned.

LETTER FROM SOMERLEY

Set out in the table below are the total trading volumes of the Shares and the percentages of such total trading volume to the total issued share capital and public float of the Company for the following respective periods during the Review Period:

	Total trading volume of Shares	Approximate % of average daily trading volume to the total issued Shares (Note 1)	Approximate % of average daily trading volume to the Shares public float (Note 2)
2012			
January	3,300,000	0.011	0.033
February	6,967,285	0.021	0.060
March	6,089,285	0.017	0.050
April	3,162,000	0.011	0.032
May	4,638,000	0.013	0.038
June	1,806,000	0.005	0.015
July	2,886,000	0.008	0.024
August	2,838,000	0.008	0.022
September	1,566,000	0.005	0.014
October	1,890,000	0.006	0.017
November	21,300,000	0.060	0.170
December	10,887,000	0.035	0.100
2013			
January	23,398,200	0.065	0.186
February	38,894,000	0.141	0.507
From 1 March to the Last Trading Day	15,078,000	0.133	0.478
Average		0.036	0.116
From 23 April 2013 to the Latest Practicable Date	1,524,219,251	1.081	3.796

Source: Bloomberg and the website of the Stock Exchange

LETTER FROM SOMERLEY

Notes:

1. The calculation is based on the number of the Shares in issue as at the end of each month.
2. The calculation is based on the number of Shares in issue as set out in Note 1 above excluding the Shares held by the substantial Shareholders and Directors in the corresponding period.

We note from the above table that the daily trading volume of the Shares has been thin in general during the Pre-Announcement Period. The average daily trading volume of the Shares during the Pre-Announcement Period was (i) within the range between approximately 0.005% and 0.141% of the total Shares in issue, with an average of approximately 0.036%; and (ii) between approximately 0.014% and 0.507% and with an average of approximately 0.116% of the issued Shares constituting the public float of the Company. The number of Shares traded daily from 23 April 2013 (the first trading day immediately following the publication of the Joint Announcement and the resumption of trading in the Shares) up to the Latest Practicable Date represented approximately 1.081% and 3.796% of the total Shares in issue and the issued Shares constituting the public float of the Company respectively. A relatively higher trading volume was recorded during the period from 23 April 2013 up to the Latest Practicable Date which, we believe, was primarily due to the market reaction to the publication of the Joint Announcement, the Disposal, the distribution of the Special Dividend and the Offer, and therefore the sustainability of the recent growth in the trading volume could be uncertain.

Given the thin historical daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Offer, therefore, represents an opportunity and a viable alternative exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Offer Price if they so wish.

LETTER FROM SOMERLEY

(b) Comparison with comparable companies

In order to assess the Offer Price, we have tried to identify companies which are (i) listed on the Stock Exchange; (ii) engaged in businesses that are similar to that of the Remaining Group, in particular, the distribution and sale of pharmaceutical and healthcare products and R&D of chemical and biological products, but without the operation of pharmaceutical products manufacturing; and (iii) profit-making for the latest reported financial year. However, as at the Latest Practicable Date, we were not able to identify any companies listed on the Stock Exchange whose principal businesses and scales being similar to that of the Remaining Group under the above selection criteria. As such, we consider the assessment of the Offer Price by way of comparison with comparable companies is not applicable.

7. Discussion and analysis

We consider that the terms of the Offer, including the Offer Price, are fair and reasonable so far as the Independent Shareholders are concerned after taking into account the above principal factors and reasons, in particular:

1. the uncertainty on whether the Remaining Group could improve its business prospect and profitability in the near future which are dependent on (i) whether the Remaining Group could successfully explore new pharmaceutical product opportunities for its existing trading business and/or to enhance its pharmaceutical products profile; and (ii) the Remaining Group's capability to industrialise and commercialise the existing R&D projects and to identify new R&D projects with potentials;
2. as at the Latest Practicable Date, the Offeror has not provided a detailed business plan with respect to the future business development of the Remaining Group; and
3. the Offer Price represents premium over the historical Adjusted Closing Prices of the Shares during the Pre-Announcement Period and also a considerable premium of approximately 319.4% over the Pro Forma NAV Per Share of the Remaining Group.

As discussed under sub-section headed "Historical price performance and liquidity of the Shares" above, in view of the recent surge of the Adjusted Closing Price/closing price (as the case may be) of the Shares since the release of the Joint Announcement which has been likely to be attributable to the market reaction to the publication of the Joint Announcement, the Disposal, the distribution of the Special Dividend and the Offer, the sustainability of the current Share price level could be, therefore,

LETTER FROM SOMERLEY

uncertain. In addition, due to the low liquidity of the Shares in normal circumstances (i.e. during the Pre-Announcement Period), the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares. The Offer, therefore, provides a guaranteed opportunity to the Independent Shareholders to realise their investment in the Company at the Offer Price.

8. Opinion and recommendation

Based on the above principal factors and reasons, we consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, in view of the recent upsurge of both the trading price and volume of the Shares, in particular the period after the publication of the Joint Announcement, the Independent Shareholders who would like to realise part or all of their investments in the Company may closely monitor the market price of the Shares during the Offer period and, instead of accepting the Offer, consider selling their Shares in the open market should the sales proceeds, net of all transaction costs, exceed the amount receivable under the Offer.

Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Document and also the accompanying Form of Acceptance.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED

Kenneth Chow
Managing Director
— *Corporate Finance*

Lyan Tam
Director

1. PROCEDURES FOR ACCEPTANCE

To accept the Offer, you should complete and sign the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance and Transfer, together with the relevant share certificate(s) (the **“Share Certificate(s)”**) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), for not less than the number of the Shares in respect of which you wish to accept the Offer, by post or by hand, marked **“Jiwa Bio-Pharm Holdings Limited General Offer”** on the envelope to the Registrar as soon as possible so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce as a result of a revision or an extension of the Offer, if any, in accordance with the Takeovers Code.
- (b) If the Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Offer Shares, you must either:
 - (i) lodge your Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and request it to deliver the completed and signed Form of Acceptance and Transfer together with the relevant Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (ii) arrange for the Offer Shares to be registered in your name by the Company through the Registrar, and send the completed and signed Form of Acceptance and Transfer together with the relevant Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are not readily available and/or is/are lost as the case may be and you wish to accept the Offer, the Form of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (d) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your Share Certificate(s), and you wish to accept the Offer in respect of your Offer Shares, you should nevertheless complete the Form of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Haitong Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share Certificate(s) when issued and to deliver such Share Certificate(s) to the Registrar, and to authorise and instruct the Registrar to hold such Share Certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance and Transfer.
- (e) Acceptance of the Offer will be valid only if the duly completed and signed Form of Acceptance and Transfer is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine in accordance with the requirements of the Takeovers Code and the Registrar has recorded that the Form of Acceptance and Transfer and any relevant documents required have been so received, and is:
- (i) accompanied by the relevant Share Certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share Certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Offer Shares; or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance and Transfer is executed by a person other than the registered Independent Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any Form of Acceptance and Transfer, Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (h) The address of the Registrar is 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has previously been revised or extended with the consent of the Executive, all Forms of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Offer is extended or revised, an announcement of such extension or revision will be published which will state either the next closing date or that the Offer will remain open until further notice. In the latter case, the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Independent Shareholders who have not accepted the Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. The latest time for acceptance of the Offer will be 4:00 p.m. on the Closing Date. The benefit of any revision of the Offer will also be available to all Independent Shareholders who have previously accepted the Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Independent Shareholders who have previously accepted the Offer shall be deemed to constitute acceptance of any revised Offer.

If the Closing Date is revised or extended, any reference in the Composite Document and in the Form of Acceptance and Transfer to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer as so revised or extended.

3. ANNOUNCEMENTS

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. (or such later time and/or date as the Executive may in exceptional circumstance permit) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or has expired.

The announcement must state the total number of Offer Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror and parties acting in concert with it before offer period (as defined under the Takeovers Code) for the Offer; and
- (iii) acquired or agreed to be acquired during the offer period (as defined under the Takeovers Code) for the Offer by the Offeror and parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold. The announcement must also specify the percentages of the issued Shares and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, acceptances which are not in all respects in complete and good order or which are subject to verification may only be included where they could be counted towards fulfilling the acceptance conditions under paragraph 1(e) of this Appendix.

- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jiwa.com.hk).

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders or by their agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “3. Announcements” above, the Executive may require that the Independent Shareholders who have tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

5. SETTLEMENT

- (a) Provided that the Form of Acceptance and Transfer and/or the relevant Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the cash consideration due to each accepting Shareholder in respect of the Offer Shares tendered by him/her/it or his/her/its agent(s) under the Offer, less seller’s ad valorem stamp duty payable by him/her/it in the case for tendered Offer Shares, will be despatched to each accepting Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 business days after the date of receipt of duly completed acceptances by the Registrar and in accordance with the Takeovers Code. Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact the Offeror for payment.
- (b) Save for payment of stamp duty set out above, settlement of the consideration to which any accepting Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of setoff, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder.

If the Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance and Transfer to the relevant Shareholders who have tendered acceptances of the Offer.

The amount of the consideration payable to an Independent Shareholder who accepts the Offer will be normal rounding to the nearest cent.

6. OVERSEAS SHAREHOLDERS

The making of the Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Offer to satisfy themselves as to the full observance of all applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental exchange control or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by such persons will be deemed to constitute a representation and warranty from such person to the Offeror that he/she/it is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and that, such acceptance shall be valid and binding in accordance with applicable laws. Independent Shareholders should consult their professional advisers if in doubt.

7. GENERAL

- (a) All communications, notices, Form of Acceptance and Transfer, Share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents through ordinary post at their own risk, and none of the Company, Haitong Capital, Haitong Securities, the Offeror, the Registrar nor any of their respective directors, agents, advisers or other parties involved in the Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance and Transfer or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (e) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of the Offeror, Haitong Capital, Haitong Securities or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct all the rights of the accepting Shareholders in respect of the Shares which are subject to such acceptance.
- (f) Acceptance of the Offer by any person will be deemed to constitute a warranty by such person to the Offeror, Haitong Capital, Haitong Securities and the Company that the Shares sold under the Offer are sold by such person free from all Encumbrances and together with all rights attaching or accruing

thereto including the right to receive all dividends or other distributions (for the avoidance of doubt, excluding the entitlement to the Special Dividend) declared, made or paid on such Shares on or after the date of posting of this Composite Document.

- (g) The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not acquired under the Offer after the close of the Offer.
- (h) References to the Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any extension and/or revision thereof.
- (i) Acceptance to the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Offer.
- (j) The English text of this Composite Document and the Form of Acceptance and Transfer shall prevail over their Chinese text for the purpose of interpretation.

1. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the audited financial results of the Group for the years ended 31 March 2011, 2012 and 2013 as extracted from the annual reports of the Company for the year ended 31 March 2011, 2012 and 2013 respectively. The auditors of the Company, BDO Limited, Certified Public Accountants, did not issue any qualified opinion on the financial statements of the Group for the three years ended 31 March 2011, 2012 and 2013. Save for the gain on disposal of subsidiaries for the years ended 31 March 2011 and 2013, there were no extraordinary items or exceptional items because of size, nature or incidence in respect of the consolidated income statement of the Group for each of the three years ended 31 March 2011, 2012 and 2013.

Special Dividend of approximately HK\$615.0 million, representing HK\$0.375 per Share, has been announced by the Company to be paid on 30 August 2013 to the Shareholders. Details of the Special Dividend were disclosed in the Joint Announcement, the Company's announcements dated 23 May 2013 and 26 July 2013 and the Circular.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March		
	2013	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	35,648	203,787	175,309
Share of results of associates	35,352	40,737	(94)
Profit before income tax	47,313	75,254	21,056
Income tax expense	(5,559)	(4,636)	(1,839)
Profit for the year attributable to:			
Owners of the Company	41,754	70,620	255,663
Non-controlling interests	—	(2)	19,205
	<u>41,754</u>	<u>70,618</u>	<u>274,868</u>
Total comprehensive income attributable to:			
Owners of the Company	40,752	93,835	237,790
Non-controlling interests	—	(2)	12,092
	<u>40,752</u>	<u>93,833</u>	<u>249,882</u>
Dividends attributable to the year			
Dividends	—	33,810	96,600
Dividend per share (<i>HK\$</i>)	—	0.021	0.060
Earnings per share			
Basic (<i>HK cents</i>)	<u>2.57</u>	<u>4.39</u>	<u>15.88</u>
Diluted (<i>HK cents</i>)	<u>2.56</u>	<u>4.37</u>	<u>15.78</u>

2. AUDITED FINANCIAL STATEMENTS

The following is the audited financial statements of the Group extracted from the annual report of the Company for the year ended 31 March 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

		2013	2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	35,648	203,787
Cost of sales		<u>(27,720)</u>	<u>(168,472)</u>
Gross profit		7,928	35,315
Other income	7	6,278	3,528
Selling expenses		—	(1,065)
Administrative expenses		(12,891)	(18,573)
Other operating expenses		(4,476)	(906)
Other gains and losses	8	<u>19,557</u>	<u>19,622</u>
Operating profit		16,396	37,921
Finance costs	9	(4,435)	(3,404)
Share of results of associates	22	<u>35,352</u>	<u>40,737</u>
Profit before income tax	10	47,313	75,254
Income tax expense	11	<u>(5,559)</u>	<u>(4,636)</u>
Profit for the year		<u><u>41,754</u></u>	<u><u>70,618</u></u>
Other comprehensive income, including reclassification adjustments			
Fair value adjustment upon transfer of owner-occupied properties to investment property	17	—	22,353
Release of translation reserve upon disposal of a subsidiary	39	(1,002)	—

		2013	2012
	Notes	HK\$'000	HK\$'000
Exchange gain on translation of financial statements of foreign operations		—	862
Other comprehensive income for the year, including reclassification adjustments and net of tax		(1,002)	23,215
Total comprehensive income for the year		40,752	93,833
Profit for the year attributable to:			
Owners of the Company		41,754	70,620
Non-controlling interests		—	(2)
		41,754	70,618
Total comprehensive income attributable to:			
Owners of the Company		40,752	93,835
Non-controlling interests		—	(2)
		40,752	93,833
Earnings per share	14		
Basic (<i>HK cents</i>)		2.57	4.39
Diluted (<i>HK cents</i>)		2.56	4.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	373	2,652
Investment properties	19	55,000	29,000
Interests in associates	22	443,816	408,464
Intangible assets	23	—	29,994
Deposit for land use right	25	—	14,326
		<u>499,189</u>	<u>484,436</u>
Current assets			
Inventories		—	586
Accounts receivable	24	8,282	59,126
Deposits, prepayments and other receivables	25	10,634	25,100
Amounts due from associates	22	81,873	50,011
Derivative financial assets	26	—	4,019
Treasury products at fair value through profit or loss	27	100,888	161,032
Tax recoverable		873	103
Pledged bank deposits	28	76,652	90,008
Cash and cash equivalents	28	94,058	58,532
		<u>373,260</u>	<u>448,517</u>
Current liabilities			
Bank borrowings	29	178,545	256,071
Accounts and bills payable	30	7,727	4,992
Accrued expenses and other payables		2,283	5,442
Tax payable		1,832	6,969
Derivative financial liabilities	31	64,523	53,704
		<u>254,910</u>	<u>327,178</u>
Net current assets		<u>118,350</u>	<u>121,339</u>
Total assets less current liabilities		<u>617,539</u>	<u>605,775</u>
Non-current liabilities			
Deferred tax liabilities	32	1,602	1,192
Net assets		<u>615,937</u>	<u>604,583</u>
EQUITY			
Share capital	33	16,250	16,100
Reserves	34	599,693	588,489
Equity attributable to owners of the Company		<u>615,943</u>	<u>604,589</u>
Non-controlling interests		<u>(6)</u>	<u>(6)</u>
Total equity		<u>615,937</u>	<u>604,583</u>

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	21	82,380	82,380
Current assets			
Amounts due from associates		436	—
Amounts due from subsidiaries	21	82,105	113,345
Dividend receivables		12,312	—
Prepayments		—	4
Tax recoverable		31	103
Cash and cash equivalents		782	538
		<u>95,666</u>	<u>113,990</u>
Current liabilities			
Accrued expenses and other payables		<u>3</u>	<u>3</u>
Net current assets		<u>95,663</u>	<u>113,987</u>
Net assets/Total assets less current liabilities		<u>178,043</u>	<u>196,367</u>
EQUITY			
Share capital	33	16,250	16,100
Reserves	34	<u>161,793</u>	<u>180,267</u>
Total equity		<u>178,043</u>	<u>196,367</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 March 2013*

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash flows from operating activities			
Profit before income tax		47,313	75,254
Adjustments for:			
Interest income		(2,417)	(2,785)
Interest expense		4,435	3,404
Depreciation of property, plant and equipment		472	663
Share-based employee compensation		2,027	—
Amortisation of land use rights		247	—
Gain on disposals of property, plant and equipment		(80)	(73)
Gain on disposals of subsidiary and intangible assets	39	(23,529)	—
Fair value loss/(gain) on derivative financial instruments not qualify as hedges, net	26	6,218	(4,019)
Gain on derecognition of Profit guarantee		—	(3,289)
Fair value loss/(gain) on Put option		10,356	(24,252)
Fair value (gain)/loss on treasury products at fair value through profit or loss		(2,893)	428
Fair value gain on investment properties		(4,972)	—
Impairment of other receivables		12,013	20,211
Write off of inventories		—	5,834
Write back of impairment on other receivables		(7,500)	—
Share of results of associates		(35,352)	(40,737)
Operating profit before changes in working capital		6,338	30,639
Decrease in inventories		586	7,560
Decrease in accounts receivable		50,844	15,714
Decrease in deposits, prepayments and other receivables		10,035	2,654
(Increase)/decrease in amounts due from associates, net		(6,167)	90,609
Increase/(decrease) in accounts and bills payable		3,503	(14,496)
Decrease in accrued expenses and other payables		(3,159)	(9,999)
Net cash generated from operations		61,980	122,681
Hong Kong profits tax paid, net		(834)	(2,905)
Taxation outside Hong Kong paid		(10,052)	—

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Net cash generated from operating activities		51,094	119,776
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(112)	(1,543)
Proceeds received from disposals of property, plant and equipment		80	73
Payments for construction in progress		(2,152)	—
Payments for acquisition of an investment property		(21,028)	—
Payments for acquisition of intangible assets		—	(18,229)
Proceeds received from disposals of subsidiaries		—	115,035
Net cash inflow on disposal of a subsidiary and intangible assets	39	46,875	—
Payments to acquire treasury products at fair value through profit or loss		—	(161,460)
Proceeds received from disposal of treasury products at fair value through profit or loss		63,037	—
Proceeds received from disposal of non-current assets held for sale		—	2,000
Deposit for land use rights	25(b)	—	(14,326)
Payments for purchase of land use right		(1,981)	—
Decrease/(Increase) in pledged bank deposits		8,847	(16,929)
Interest received		2,417	2,785
Settlement of derivative financial assets		(1,736)	1,291
Net cash generated from/(used) in investing activities		94,247	(91,303)
Cash flows from financing activities			
Proceeds from issuance of share capital		2,700	—
Proceeds from bank borrowings		10,000	240,321
Repayment of bank borrowings		(87,526)	(119,755)
Interest paid		(4,435)	(3,404)
Dividends paid to owners of the Company	13(b)	(34,125)	(96,600)
Net cash (used in)/generated from financing activities		(113,386)	20,562
Net increase in cash and cash equivalents		31,955	49,035
Translation differences		3,571	(9)
Cash and cash equivalents at beginning of the year		58,532	9,506
Cash and cash equivalents at end of the year	28	94,058	58,532

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Equity attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium*	Contributed surplus*	Translation reserve*	Asset revaluation reserve*	Share option reserve*	Proposed final dividend*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	16,100	56,097	2,000	140	—	5,836	96,600	430,581	607,354	(4)	607,350
Dividend paid in respect of the previous year (note 13(b))	—	—	—	—	—	—	(96,600)	—	(96,600)	—	(96,600)
Transaction with owners	—	—	—	—	—	—	(96,600)	—	(96,600)	—	(96,600)
Profit for the year	—	—	—	—	—	—	—	70,620	70,620	(2)	70,618
Other comprehensive income											
Exchange gain on translation of financial statements of foreign operations	—	—	—	862	—	—	—	—	862	—	862
Fair value adjustment upon transfer of owner-occupied properties to investment property (note 17)	—	—	—	—	22,353	—	—	—	22,353	—	22,353
Total comprehensive income for the year	—	—	—	862	22,353	—	—	70,620	93,835	(2)	93,833
Proposed final dividend (note 13(a))	—	—	—	—	—	—	33,810	(33,810)	—	—	—
At 31 March 2012	16,100	56,097	2,000	1,002	22,353	5,836	33,810	467,391	604,589	(6)	604,583

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium*	Contributed surplus*	Translation reserve*	Asset revaluation reserve*	Share option reserve*	Proposed final dividend*	Retained profits*	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	16,100	56,097	2,000	1,002	22,353	5,836	33,810	467,391	604,589	(6) 604,583
Dividend paid in respect of the previous year (note 13(b))	—	—	—	—	—	—	(33,810)	(315)	(34,125)	— (34,125)
Cancellation of share options	—	—	—	—	—	(4,551)	—	4,551	—	— —
Grant of share options	—	—	—	—	—	2,027	—	—	2,027	— 2,027
Issue of shares upon exercise of share options	150	2,550	—	—	—	—	—	—	2,700	— 2,700
Exercise of share options	—	1,285	—	—	—	(1,285)	—	—	—	— —
Transaction with owners	150	3,835	—	—	—	(3,809)	(33,810)	4,236	(29,398)	— (29,398)
Profit for the year	—	—	—	—	—	—	—	41,754	41,754	— 41,754
Other comprehensive income										
Release of translation reserve upon disposal of a subsidiary (note 39)	—	—	—	(1,002)	—	—	—	—	(1,002)	— (1,002)
Total comprehensive income for the year	—	—	—	(1,002)	—	—	—	41,754	40,752	— 40,752
At 31 March 2013	16,250	59,932	2,000	—	22,353	2,027	—	513,381	615,943	(6) 615,937

* the total of these equity accounts as at reporting date represent “Reserves” in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2013***1. General Information**

Jiwa Bio-Pharm Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 2904 & 2906, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries are collectively referred to as the “Group”.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries include trading of pharmaceutical and health care products, research and development of chemical and biological products and investment and treasury function.

On 21 September 2012, one of the Group’s wholly owned subsidiaries, Jiwa Pharm & Chemicals Limited, entered into a conditional sale and purchase agreement with Kunming Jida Pharmaceutical Company Limited (“KJP”), a 49%-owned associated company of the Group, to dispose its entire 100% equity interests in a subsidiary of the Group, namely Yunnan Jiwa Biotech Limited (“YJB”), for a cash consideration of Renminbi (“RMB”) 19,000,000 (Hong Kong Dollars (“HK\$”) 23,170,000 equivalent). YJB is incorporated in the People’s Republic of China (the “PRC”) and is principally engaged in manufacturing and trading of pharmaceutical products in the PRC. The directors consider that the Group has lost its controls over YJB and the disposal was completed on 24 September 2012.

On 23 July 2012, one of the Group’s wholly owned subsidiaries, Base Affirm International Limited (“Base Affirm”), entered into a technology transfer agreement with YJB, pursuant to which an aggregate consideration of RMB111 million (HK\$135.4 million equivalent) is payable by YJB upon satisfaction of the pre-condition set for each of the 3 phases. The technology has been transferred to YJB and Phase 1 of the arrangement has been completed on 28 September 2012.

The gain on disposals of YJB and the technology are considered as linked transactions and accordingly, the gains amounted to HK\$23,529,000 in aggregate has been recognised in consolidated statement of comprehensive income in “Other gains and losses” during the year ended 31 March 2013. Further details regarding the gain on disposal of the subsidiary and the intangible assets are set out in note 39.

On 12 March 2013, the Company through Jiwa Development Co. Ltd., a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “Disposal Agreement”) with a company which is wholly owned by Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung (collectively referred to as “Lau’s Family”), directors of the Company, to dispose its entire 100% equity interests in a subsidiary of the Group, namely Jiwa Pharmaceutical Limited (“JPL”) which held 49% direct equity interest in KJP, for a cash consideration of HK\$512,000,000. KJP has four wholly owned subsidiaries in the PRC or Hong Kong, namely Wuxi Jida Pharmaceutical Company Limited (“JJRP”), Kunming Jida Pharmaceutical Distribution Company Limited (“YJPL”), YJB and Jida Pharm (HK) Trading Co., Limited (collectively referred to as the “KJP Group”). The disposal has not yet been completed on 31 March 2013.

The directors consider the ultimate parent is LAUs Holdings Co. Ltd, a company incorporated in British Virgin Islands.

The financial statements for the year ended 31 March 2013 were approved for issue by the board of directors on 11 June 2013.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements on pages 28 to 101 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention except for investment properties, treasury products at fair value through profit or loss, and derivative financial assets and liabilities, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

The financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 March each year. Inter-company transactions and balances between group companies together with unrealised profits on such transaction are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.3 *Subsidiaries*

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value-in-use and fair value less costs to sell.

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Construction in progress is stated at cost less impairment losses. The cost comprises construction costs including direct materials, labour, contractors’ fees, interest expenses, overheads and cost of plant and machineries attributable to bringing the production facilities to its present condition.

When the construction or installation is completed, the relevant cost of construction in progress is transferred to the appropriate categories of property, plant and equipment.

Depreciation is provided to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using straight-line method, as follows:

Leasehold land	Over lease term
Buildings	20-50 years
Motor vehicles	3 year
Furniture, fixtures and equipment	5 years

The assets’ estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.7 Land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.16. Amortisation is calculated on straight-line method over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land. Land use rights are amortised when these are occupied by the Group.

2.8 Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Rental income from investment property is accounted for as described in note 2.19.

When investment property carried at fair value is transferred to owner-occupied property, its deemed cost for subsequent accounting is its fair value at the date of change in use.

When a property occupied by the Group as an owner-occupied property becomes an investment property, such property is accounted for in accordance with the policy of property, plant and equipment (note 2.6) up to the date of change in use. Any difference at that date between the carrying amount and the fair value of the property is dealt with in asset revaluation reserve. On disposal of the property, the asset revaluation reserve is transferred to retained profits as a movement in reserves.

2.9 Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible asset with finite useful lives are carried at cost less accumulated amortization and any impairment losses, if any. Amortisation is provided on straight-line method over their estimated useful lives. The amortisation expense is recognised in profit or loss. Intangible assets with indefinite useful lives are carried at cost less any impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described in note 2.20.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible assets will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs included employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

2.10 Financial assets

The Group's accounting policies for financial assets other than investment in subsidiaries and associates are set out below.

Financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

(i) *Financial assets at fair value through profit or loss*

They include financial assets held for trading; and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.19 to these financial statements.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

For financial assets other than financial assets at fair value through profit or loss and accounts and bills receivable that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of accounts and bills receivable is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of accounts and bills receivable is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.11 *Inventories*

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate portion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.12 *Derivative financial instruments*

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designed as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.13 *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 *Financial liabilities*

The Group's financial liabilities include bank borrowings, accounts and bills payable, accrued expenses and other payables and derivative financial liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.22).

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

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

Derivatives

Derivatives including separated embedded derivatives are measured at fair value (see note 2.12).

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Accounts and bills payable, accrued expenses and other payables

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

2.15 Financial guarantee issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within accrued expenses and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.16 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risk and rewards of ownership to the Group are classified as operating leases.

(ii) *Operating lease charges as the lessee*

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Assets leased out under operating leases as lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and the use by others of the Group's assets yielding interest and rental income, net of rebates and discounts. A single arrangement is separated into its identifiable components if each component has stand-alone value to the customer and the fair value of the component can be measured reliably. The consideration for the arrangement is allocated to the identifiable components on a relative fair value basis. Revenue is recognised for each component of a single arrangement in accordance with the Group's revenue recognition policies.

Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sales of goods are recognised upon transfer of the significant risk and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- Rental income is recognised on straight-line method over the lease period of the tenancy.
- Interest income is recognised on time-proportion basis using effective interest method.
- Dividend is recognised when the right to receive payment is established.

2.20 Impairment of non-financial assets

Intangible assets, property, plant and equipment, land use rights, interests in associates and the Company's interests in subsidiaries are subject to impairment testing.

Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

An impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

Impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance (the “MPF Scheme”), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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 reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

All share-based payment arrangements granted are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2.22 *Borrowing costs*

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.23 *Accounting for income taxes*

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax is calculated using liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable

temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not

aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.25 *Related parties*

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) The party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third party and the other party is an associate of the third party;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

3. Adoption of new or amended HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1 April 2012

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2012:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
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The adoption of these amendments has no material impact on the Group’s financial statements.

(b) New/Revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income ¹
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities ³
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurements ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ³
HKFRSs (Amendments)	Annual Improvement 2009-2011 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2012
² Effective for annual periods beginning on or after 1 January 2013
³ Effective for annual periods beginning on or after 1 January 2014
⁴ Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) Presentation of Financial Statements — Presentation of
Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 Presentation — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding application guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues apply. The Group expects to adopt HKFRS 9 from 1 April 2015.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability

to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

HKFRS 13 Fair Value Measurements

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 Financial Instruments: Disclosures. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

HKFRSs (Amendments) — Annual Improvements 2009-2011 Cycle

The improvements made amendments to five standards in which four standards are relevant to the Group.

(i) *HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) *HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) *HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) *HKAS 34 Interim Financial Reporting*

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of the Company are not yet in a position to quantify the effects on the Group's financial statements.

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.

Critical accounting estimates and assumptions

The Group 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 and liabilities within the next financial year are discussed below:

(i) *Impairment of interests in associates, property, plant and equipment and intangible assets*

The Group assesses impairment at each reporting date by evaluating conditions that may lead to impairment of assets. Where an impairment condition exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(ii) *Impairment on accounts and other receivables*

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of its debtors to make the required payments. These estimates are based on ageing of its accounts and other receivable balances, customers' credit-worthiness, and historical write-off experience. If the financial condition of its debtors deteriorates so that the actual impairment loss will be higher than expected, the Group will revise the basis of making the allowance and its future results would be affected.

(iii) *Fair value of Put option*

In March 2011, the Group disposed of its pharmaceutical manufacturing and distribution operations comprising the KJP Group. As part of the terms of the disposal, the Group gave the new investors in the KJP Group a put option ("Put option") to sell their equity interests in the KJP Group to the Group if the latter did not obtain a stock exchange listing within an agreed time frame. Further details are set out in note 31(a) to the financial statements. The Group's Put option was accounted as a derivative financial liability and stated at fair value in accordance with the accounting policies stated in notes 2.12 and 2.14 to the financial statements. The fair value of Put option was determined with the assistance of an independent firm of professional valuer, Roma Appraisals Limited ("Roma"), but it should be noted that the valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

(iv) Fair value of treasury products

The Group’s treasury products are stated at fair value in accordance with the accounting policies stated in notes 2.10 and 2.12 to the financial statements. The fair values of treasury products as set out in note 27 to the financial statements were determined with reference to valuations provided by the banks/or conducted by an independent firm of professional valuer, Greater China Appraisal Limited (“GCA”) (2012: Roma), using appropriate valuation techniques as set out in note 27 in the financial statements . The valuations involve significant estimates and judgements and hence the fair value of these structured products and embedded derivatives are subject to uncertainty.

(v) Fair value of investment properties

As disclosed in note 19, investment properties are measured at fair value at the date of transfer from owner-occupied properties and revalued at the end of each reporting period. The fair values are determined with reference to valuations conducted by Roma, an independent firm of professional valuer. Such valuations were based on various assumptions which are subject to uncertainty and might materially differ from actual results. In making the judgement, the Group considered current prices in an active market for similar properties and used assumptions that were mainly based on market conditions existing at the end of each reporting period.

Critical judgements in applying the accounting policies

(i) Research and development activities

Careful judgement by the Group’s management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems upon recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new products or know-how are continuously monitored by the Group’s management.

(ii) Sale of technical know-how

As disclosed in note 23, the Group entered into multiple-element arrangements when they sell its intangible assets to YJB. Consideration of total arrangements is allocated to the deliverables based on their relative fair values. The allocated consideration is recognised as revenue in accordance with note 2.19. The Group’s directors exercise judgement to determine whether the arrangements comprise identifiable components so as to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

5. Revenue

The Group’s principal activities are disclosed in note 1. Turnover of the Group is the revenue derived from these activities.

	2013 HK\$'000	2012 HK\$'000
Trading of pharmaceutical and health care products	35,648	203,787

6. Segment Information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors. The executive directors based on their decisions about resources allocation to the Group's business components and for their review of the performance of those components on these reports. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

For the year ended 31 March 2013, the Group has identified the following reportable segments:

- (i) Trading of pharmaceutical and health care products — Trading of pharmaceutical and health care products
- (ii) Research and development — Research and development of chemical and biological products
- (iii) Investment and treasury function — Investment holding and treasury function

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- expenses related to share-based payments
- fair value gain or loss on Put options and gain on derecognition of Profit guarantees
- impairment of/reversal of impairment for other receivables
- share of profit or loss of associates accounted for using the equity method
- finance costs incurred on corporate borrowings
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but exclude interests in associates and tax recoverable. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment and the Group's headquarters.

Segment liabilities exclude derivative financial liabilities in relation to Put options (further detailed in note 31(a)). In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include tax payable and deferred tax liabilities.

No asymmetrical allocations have been applied to reportable segments.

Segment revenue, segment results, segment assets and segment liabilities

Information regarding the Group’s reportable segments including the reconciliations to revenue, profit before income tax, total assets, total liabilities and other segment information are as follows:

	Trading of pharmaceutical and health care products <i>HK\$ '000</i>	Research and development <i>HK\$ '000</i>	Investment and treasury function <i>HK\$ '000</i>	Sub-total <i>HK\$ '000</i>	Elimination <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
For the year ended 31 March 2013						
Reportable segment revenue	35,648	—	—	35,648	—	35,648
Reportable segment profit/(loss)	8,101	21,739	(2,618)	27,222	—	27,222
Fair value loss on Put option						(10,356)
Share base payment						(2,027)
Impairment of other receivables						(12,013)
Write back of other receivables						7,500
Finance costs on corporate borrowings						(1,439)
Share of results of associates						35,352
Unallocated corporate income						8,476
Unallocated corporate expenses						(5,402)
Profit before income tax						47,313

	Trading of pharmaceutical and health care products <i>HK\$ '000</i>	Research and development <i>HK\$ '000</i>	Investment and treasury function <i>HK\$ '000</i>	Corporate <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Other information					
Interest income					
— Bank deposits and loans to associates	45	4	—	2	51
— Bank deposits subject to interest rate swap contracts	—	—	2,150	—	2,150
— Overdue receivables	—	—	—	216	216
Finance costs	—	—	(2,996)	(1,439)	(4,435)
Depreciation of property, plant and equipment	(224)	(248)	—	—	(472)
Fair value loss on other derivative financial instruments not qualifying as hedges, net	—	—	(6,218)	—	(6,218)
Fair value gain on treasury products at fair value through profit or loss	—	—	2,893	—	2,893
Gain on disposal of a subsidiary and intangible assets	—	23,529	—	—	23,529
Additions to specified non-current asset [#]	21,028	15,472	—	—	36,500

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

	Trading of pharmaceutical and health care products <i>HK\$'000</i>	Research and development <i>HK\$'000</i>	Investment and treasury function <i>HK\$'000</i>	Total <i>HK\$'000</i>		
As at 31 March 2013						
Reportable segment assets	163,440	27,655	177,540	368,635		
Interests in associates				443,816		
Tax recoverable				873		
Other corporate assets				59,125		
Consolidated total assets				872,449		
As at 31 March 2013						
Reportable segment liabilities	10,005	—	80,423	90,428		
Derivative financial liabilities — Put option				64,060		
Tax payables				1,832		
Deferred tax liabilities				1,602		
Other corporate liabilities				98,590		
Consolidated total liabilities				256,512		
	Trading of pharmaceutical and health care products <i>HK\$'000</i>	Research and development <i>HK\$'000</i>	Investment and treasury function <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2012						
Reportable segment revenue	203,787	—	—	203,787	—	203,787
Reportable segment profit/(loss)	28,930	(1,680)	4,395	31,645	900	32,545
Gain on derecognition of Profit guarantee						3,289
Fair value gain on Put option						24,252
Impairment of other receivables						(20,211)
Finance costs on corporate borrowings						(1,805)
Share of results of associates						40,737
Unallocated corporate income						3,863
Unallocated corporate expenses						(7,416)
Profit before income tax						75,254

	Trading of pharmaceutical and health care products HK\$'000	Research and development HK\$'000	Investment and treasury function HK\$'000	Corporate HK\$'000	Total HK\$'000
Other information					
Interest income					
— Bank deposits and loans to associates	82	220	—	449	751
— Bank deposits subject to interest rate swap contracts	—	—	2,034	—	2,034
Finance costs	—	—	(1,599)	(1,805)	(3,404)
Depreciation of property, plant and equipment	(415)	(248)	—	—	(663)
Fair value loss on treasury products at fair value through profit or loss	—	—	(428)	—	(428)
Fair value (loss)/gain on other derivative financial instruments not qualifying as hedges, net	(159)	—	4,178	—	4,019
Additions to specified non-current asset [#]	809	18,963	—	—	19,772
Deposits to specified non-current asset [#]	—	14,326	—	—	14,326

	Trading of pharmaceutical and health care products HK\$'000	Research and development HK\$'000	Investment and treasury function HK\$'000	Total HK\$'000
As at 31 March 2012				
Reportable segment assets	153,415	55,817	257,416	466,648
Interests in associates				408,464
Tax recoverable				103
Other corporate assets				57,738
Consolidated total assets				932,953
As at 31 March 2012				
Reportable segment liabilities	10,353	—	97,821	108,174
Derivative financial liabilities				
— Put option				53,704
Tax payables				6,969
Deferred tax liabilities				1,192
Other corporate liabilities				158,331
Consolidated total liabilities				328,370

[#] Including the Group's property, plant and equipment, investment properties, intangible assets, deposit for land use right and interests in associates but excluding deferred tax assets

Geographical information

The Group's revenue is predominantly derived from the PRC. An analysis of the Group's property, plant and equipment, investment properties, intangible assets, deposit for land use right and interest in associates (i.e. specified non-current assets) by geographical locations, determined based on physical location of the assets or location of operations in case of interests in associates, is as follows:

	2013 HK\$'000	2012 HK\$'000
Hong Kong (place of domicile)	55,373	59,680
Macau	—	1
The PRC (excluding Hong Kong and Macau)	443,816	424,755
	<u>499,189</u>	<u>484,436</u>

Information about major customers

During the year ended 31 March 2013, the Group had three (2012: two) customers with whom transactions of each has exceeded 10% of the Group's revenue. The revenue of HK\$22,951,000 (2012: HK\$148,943,000), HK\$8,637,000 (2012: HK\$31,639,000) and HK\$4,060,000 (2012: HK\$985,000) from these three customers accounted for 64% (2012: 73%), 24% (2012: 16%) and 12% (2012: 1%) respectively of the Group's revenue for the year.

As at 31 March 2013, accounts and bills receivable due from the largest customer accounted for 25% of the Group's total accounts and bills receivable balances while the balances due from the associates were included in "amounts due from associates". As at 31 March 2013, total accounts and bills receivable due from the three customers accounted for 91% of such balances. The sales to these three customers (2012: two customers) are included in the segment of trading of pharmaceutical and health care products.

7. Other Income

	2013 HK\$'000	2012 HK\$'000
Interest income on bank deposits	2,201	2,374
Interest income on overdue receivables	216	—
Interest income on loans to associates	—	411
Rental income	1,091	210
Others	2,770	533
	<u>6,278</u>	<u>3,528</u>

In last year, the exchange gain (net), fair value gain on other derivative Financial Instruments not qualifying as hedges (net) and gain on disposal of property, plant and equipment amounted to HK\$8,628,000, HK\$4,019,000 and HK\$73,000 respectively were disclosed within "Other income". Management considered that inclusion of these items in "Other gains and losses" is a better presentation in this year and accordingly, these comparative figures have been reclassified.

8. Other Gains and Losses

	2013 HK\$'000	2012 HK\$'000
Exchange gain, net	9,170	8,628
Fair value gain on investment properties	4,972	—
Fair value (loss)/gain on Put option	(10,356)	24,252
Fair value gain/(loss) on treasury products at fair value through profit or loss, net	2,893	(428)
Fair value (loss)/gain on other derivative financial instruments not qualifying as hedges, net (note 26)	(6,218)	4,019
Gain on derecognition of Profit guarantee (note (a))	—	3,289
Gain on disposal of a subsidiary and intangible assets (note 39)	23,529	—
Gain on disposal of property, plant and equipment	80	73
Impairment on other receivables (note (b))	(12,013)	(20,211)
Write back of impairment on other receivables (note (c))	7,500	—
	<u>19,557</u>	<u>19,622</u>

In last year, the exchange gain (net), fair value gain on derivative financial instruments not qualifying as hedges (net) and gain on disposal of property, plant and equipment amounted to HK\$8,628,000, HK\$4,019,000 and HK\$73,000 respectively were disclosed within “Other income” while the fair value loss on treasury products at fair value through profit or loss (net) of HK\$428,000 was disclosed within “Other operating expenses”. Management considered that inclusion of these items in “Other gains and losses” is a better presentation in this year and accordingly, the comparative figures have been reclassified.

Notes:

- (a) Pursuant to the terms of the capital injection (the “Capital Injection”) in relation to the disposal of the subsidiaries incurred for the year ended 31 March 2011, the Group would compensate the independent subscribers for any shortfall if there was non-compliance of the Profit guarantee. As at 31 March 2012, the Profit guarantee period expired and accordingly, the Group derecognised the financial liability in relation to the Profit guarantee and recognised the corresponding balance in the amount of HK\$3,289,000 in “Other gains and losses”.
- (b) Impairment loss on other receivables for the year ended 31 March 2013 comprises of impairment provision of HK\$12,013,000 (2012: HK\$10,000,000) provided for the consideration receivable in relation to disposal of equity interests in Longchang Industrial Co. Ltd. (山西繁峙縣龍昌實業有限責任公司) (“Longchang”).

For the year ended 31 March 2012, the following items were also included:

- impairment provision of HK\$4,692,000 provided for the consideration receivable for exercising the put option of Leader Forever Limited (“Leader Forever”);
- impairment provision of HK\$2,500,000 provided for the consideration receivable for exercising the put option of Vital Element Investments Limited (“Vital Element”); and

- impairment provision of HK\$3,019,000 provided for other receivables. Based on impairment assessment, management determined that the balances are unlikely to be recovered and impairment provision was provided for in the year.
- (c) Write back of impairment included HK\$5,000,000 settled by the shareholder of Leader Forever and HK\$2,500,000 settled by the shareholder of Vital Element during the year ended 31 March 2013.

During the year ended 31 March 2011, the Group exercised the put option pursuant to the shareholders’ agreement of Leader Forever, the Group’s former associate, requiring the controlling shareholder of Leader Forever to re-purchase the 1,000 shares of Leader Forever held by the Group at a consideration of HK\$10,000,000. A total of HK\$5,000,000 were received in previous years. As at 31 March 2012, the directors of the Company determined that the carrying amount (at amortised cost) of the remaining consideration receivable of HK\$4,692,000 is unlikely to be recovered and impairment provision was provided for accordingly (note 8(b)).

During the year ended 31 March 2012, the Group had exercised the put option pursuant to the shareholders’ agreement of Vital Element, the Group’s former associate, requiring the controlling shareholder of Vital Element to re-purchase the 500 shares of Vital Element held by the Group at a consideration of HK\$2,500,000. The amount was not received and full provision was made during the year ended 31 March 2012. As at the date of the exercise of the put option, the net carrying amount of the Group’s interests in Vital Element was nil, representing initial investment cost of HK\$5,000,000, less the accumulated amount of share of losses of Vital Element up to the date of exercise of the put option.

As at 31 March 2012, other than those shares subject to put option, the Group held another 500 shares in Vital Element. The net carrying amount of these remaining 500 shares was nil, representing initial investment cost of HK\$5,000,000, less the accumulated amount of share of losses of Vital Element up to 31 March 2012. There was no further share of loss of Vital Element recognised by the Group at the reporting date as the net carrying amount of the Group’s interests in Vital Element is nil as at 31 March 2012. The amount of the Group’s unrecognised share of losses of Vital Element was HK\$1,413,000 for the year ended 31 March 2012.

9. Finance Costs

	2013 HK\$'000	2012 HK\$'000
Interest charges on bank borrowings wholly repayable within five years	4,435	3,404

During the year ended 31 March 2012 and 2013, all finance costs were charged on bank borrowings which contain repayment on demand clause.

10. Profit before income tax

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Auditor's remuneration	750	600
Amortisation of land use rights	247	—
Cost of inventories recognised as expense including	27,720	168,472
Write off of inventories	—	5,834
Depreciation of property, plant and equipment (note (a))	472	663
Employee benefit expenses (including directors' emoluments)	8,613	8,703
Operating lease charges in respect of premises	3,339	2,919
Written off of prepayments	39	—
Research and development costs (note (a))	780	1,092
	<u>780</u>	<u>1,092</u>

Note:

- (a) These are included in "Administrative expenses" in the consolidated statement of comprehensive income for the years ended 31 March 2013 and 2012.

11. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in PRC at 25% (2012: 25%).

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax		
— Hong Kong		
Tax for the year	170	1,532
(Over)/Under-provision in respect of prior years	(1,026)	227
	<u>(856)</u>	<u>1,759</u>
— PRC — Tax for the year	<u>6,005</u>	<u>1,685</u>
Deferred tax		
Current year (note 32)	410	1,192
	<u>5,559</u>	<u>4,636</u>

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013 HK\$'000	2012 HK\$'000
Profit before income tax	47,313	75,254
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	7,832	12,442
Tax effect of non-deductible expenses	5,109	16,768
Tax effect of non-taxable revenue	(12,649)	(25,888)
Tax effect of prior year's tax losses utilised	—	(51)
Tax effect of tax losses not recognised	736	—
Tax effect of temporary differences not recognised	12	364
Others	126	(201)
Tax provided for selling of technical know-how	5,009	—
Deferred tax provided for withholding tax on distributable profits of an PRC associate	410	975
(Over)/Under-provision in prior years	(1,026)	227
Income tax expense	5,559	4,636

12. Profit attributable to owners of the Company

Of the consolidated profit attributable to owners of the Company of HK\$41,754,000 (2012: HK\$70,620,000), a profit of HK\$11,074,000 (2012: HK\$33,871,000) (note 34) has been dealt with in the financial statements of the Company.

13. Dividends

(a) Dividends attributable to the year

	2013 HK\$'000	2012 HK\$'000
No final dividend was proposed for 2013 after the reporting date (2012: HK\$0.021 per share)	—	33,810

The final dividend proposed for 2012 after the last reporting date has not been recognised as a liability at the last reporting date, but reflected as an appropriation of the retained profits for the year ended 31 March 2012.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2013 HK\$'000	2012 HK\$'000
Final dividend in respect of the previous financial year of HK\$0.021 per share (2012: HK\$0.060 per share)	34,125	96,600

Subsequent to 31 March 2012, on 29 May 2012, a director of the Company exercised his rights to convert a total of 15,000,000 share options into 15,000,000 ordinary shares of HK\$0.01 each of the Company. The holder of these new shares was also entitled to the proposed final dividend of HK\$0.021 per share for 2012. Accordingly, an additional amount of HK\$315,000, in addition to the proposed amount of HK\$33,810,000, were paid during 2013.

14. Earnings per share

The calculations of basic earnings per share and diluted earnings per share attributable to owners of the Company are based on the following data:

HK\$'000

Earnings

For the year ended 31 March 2013

Earnings used in calculating basic earnings per share and diluted earnings per share attributable to owners of the Company during the year

41,754

For the year ended 31 March 2012

Earnings used in calculating basic earnings per share and diluted earnings per share attributable to owners of the Company during the year

70,620

2013

2012

'000

'000

Weighted average number of ordinary shares

Weighted average number of ordinary shares used in calculating

basic earnings per share

1,622,616

1,610,000

Effect of dilutive potential ordinary shares

— Share options issued by the Company

7,631

7,652

Weighted average number of ordinary shares used in calculating diluted earnings per share

1,630,247

1,617,652

15. Employee Benefit Expenses (Including Directors' Emoluments)

2013

2012

HK\$'000

HK\$'000

Salaries and wages, other allowances and

benefits in kind

4,443

6,520

Rentals for staff and directors

2,060

1,920

Share-based employee compensation

(note 35)

2,027

—

Contribution to defined contribution plans

83

263

8,613

8,703

16. Directors' remuneration and senior management's emoluments

(a) Directors' emoluments

	Fees HK\$'000	Salaries, housing, other allowances and benefits in kind HK\$'000	Contribution to defined contribution plans HK\$'000	Total HK\$'000
For the year ended 31 March 2013				
Executive directors				
Mr. Lau Yau Bor	—	2,334	—	2,334
Mr. Lau Kin Tung	1,308	—	15	1,323
Madam Chan Hing Ming	—	910	—	910
Independent non-executive directors				
Mr. Choy Ping Sheung	80	—	—	80
Mr. Fung Tze Wa	100	—	—	100
Mr. Chiu Wai Piu	100	—	—	100
	<u>1,588</u>	<u>3,244</u>	<u>15</u>	<u>4,847</u>
For the year ended 31 March 2012				
Executive directors				
Mr. Lau Yau Bor	—	2,292	—	2,292
Mr. Lau Kin Tung	887	374	12	1,273
Madam Chan Hing Ming	—	775	—	775
Independent non-executive directors				
Mr. Choy Ping Sheung	80	—	—	80
Mr. Fung Tze Wa	100	—	—	100
Mr. Chiu Wai Piu	100	—	—	100
	<u>1,167</u>	<u>3,441</u>	<u>12</u>	<u>4,620</u>

Notes:

- (i) There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2012: Nil).

- (ii)

During the year, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Nil).
- (iii)

During the year, an aggregate of 15,000,000 share options with a fair value of approximately HK\$2,027,000 were granted to a consultant and certain employees of the Group to subscribe for ordinary shares of the Company. For the year ended 31 March 2013, no share option was granted to the directors of the Company and employees of the Group (note 35).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2012: three) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining two (2012: two) individuals during the year are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, housing, other allowances and benefits in kind	1,050	949
Discretionary bonus	128	177
Share-based employee compensation	405	—
Contribution to defined contribution plans	29	24
	<u>1,612</u>	<u>1,150</u>

Emoluments of the two (2012: two) individuals fell within the following bands:

	Number of individuals	
	2013	2012
Nil — HK\$1,000,000	2	2
HK\$1,500,001 — HK\$2,000,000	<u>—</u>	<u>—</u>

No emolument was paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Nil).

The emoluments paid or payable to members of senior management are included in the analysis presented above.

17. Property, plant and equipment — Group

	Leasehold land <i>HK\$ '000</i>	Buildings <i>HK\$ '000</i>	Motor vehicles <i>HK\$ '000</i>	Furniture, fixtures and equipment <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 April 2011					
Cost	4,566	3,009	—	4,940	12,515
Accumulated depreciation	(314)	(542)	—	(3,310)	(4,166)
Net carrying amount	4,252	2,467	—	1,630	8,349
Year ended 31 March 2011					
Opening net carrying amount	4,252	2,467	—	1,630	8,349
Additions	—	—	673	870	1,543
Depreciation	(35)	(37)	(224)	(367)	(663)
Gain on revaluation upon transfer (<i>note</i>)	14,181	8,172	—	—	22,353
Transfer to investment property (<i>note</i>)	(18,398)	(10,602)	—	—	(29,000)
Translation differences	—	—	—	70	70
Closing net carrying amount	—	—	449	2,203	2,652
At 31 March 2012					
Cost	—	—	673	5,885	6,558
Accumulated depreciation	—	—	(224)	(3,682)	(3,906)
Net carrying amount	—	—	449	2,203	2,652
Year ended 31 March 2013					
Opening net carrying amount	—	—	449	2,203	2,652
Additions	—	—	—	112	112
Depreciation	—	—	(224)	(248)	(472)
Disposal of a subsidiary (<i>note 39</i>)	—	—	—	(1,919)	(1,919)
Closing net carrying amount	—	—	225	148	373
At 31 March 2013					
Cost	—	—	673	3,555	4,228
Accumulated depreciation	—	—	(448)	(3,407)	(3,855)
Net carrying amount	—	—	225	148	373

18. Land use Rights — Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 April	—	—
Additions	16,307	
Amortisation during the year	(247)	—
Disposal of a subsidiary (<i>note 39</i>)	(16,060)	—
	<u> </u>	<u> </u>
At 31 March	<u> </u>	<u> </u>

19. Investment Properties — Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 April	29,000	—
Additions	21,028	
Change in fair value (<i>note 8</i>)	4,972	
Transfer from property, plant and equipment (<i>note 17</i>)	—	29,000
	<u> </u>	<u> </u>
At 31 March	<u>55,000</u>	<u>29,000</u>

Notes:

These properties are held under leases of over 50 years and as at the reporting date, one of these properties with a fair value of HK\$22,000,000 was pledged to secure the Group's bank borrowings (*note 29*).

The fair values of the properties as at the date of transfer and as at 31 March 2012 and 2013 were assessed by Roma, an independent firm of professional qualified valuer, on an open market basis.

20. Construction in Progress — Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 April	—	—
Additions	2,152	—
Disposal of a subsidiary (<i>note 39</i>)	(2,152)	—
	<u> </u>	<u> </u>
At 31 March	<u> </u>	<u> </u>

21. Interests in Subsidiaries — Company

(a) Investments in subsidiaries

	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	82,380	82,380

Particulars of the Company’s subsidiaries as at 31 March 2013 are as follows:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Percentage of issued capital effectively held by the Company	Principal activities and place of operation
Jiwa Development Co. Ltd.	British Virgin Islands (“BVI”), limited liability company	50,000 ordinary shares of United States dollar (“US\$”) 1 each	100%*	Investment holding, Hong Kong
Jiwa International Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK\$1,000 each	100%	Trading of pharmaceutical products, Hong Kong
JPL	Hong Kong, limited liability company	1,000 ordinary shares of HK\$1,000 each	100%	Investment holding, Hong Kong
Tech-Medi Development Limited	Hong Kong, limited liability company	200 ordinary shares of HK\$1,000 each	100%	Trading of health care products, Hong Kong
Jiwa Rintech Holdings Limited	BVI, limited liability company	10 ordinary shares of US\$1 each	100%	Investment holding, Hong Kong
Sino-Tech International (Macao Commercial Offshore) Limited	Macau, limited liability company	MOP100,000	100%	Trading of pharmaceutical products, Macau
Jiwa Pharm & Chemicals Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK\$1,000 each	100%	Investment holding, Hong Kong
Rise Hill Development Limited	BVI, limited liability company	1,000 ordinary shares of US\$1 each	60%	Not yet commence business
Base Affirm	BVI, limited liability company	1,000 ordinary shares of US\$1 each	100%	Research and development

* Issued capital held directly by the Company

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
The carrying amounts of amounts due from subsidiaries approximate to their fair values.

22. Interests in Associates — Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 April	408,464	400,999
Share of results of associates	35,352	40,737
Dividend received	—	(33,272)
	<hr/>	<hr/>
At 31 March	443,816	408,464
	<hr/>	<hr/>

Particulars of the associates at 31 March 2013 are as follows:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	% of ownership interests	Principal activities and place of operation
KJP	PRC, limited liability company	RMB330,000,000 (2012: RMB189,048,600)	49%	Manufacturing and trading of pharmaceutical products, PRC
JJRP	PRC, limited liability company	RMB73,000,000	49%	Manufacturing and trading of pharmaceutical products, PRC
YJPL	PRC, limited liability company	US\$2,100,000	49%	Trading of pharmaceutical products, PRC
Jida Pharm (HK) Trading Co Limited	HK, limited liability company	300,000 ordinary shares of HK\$1 each	49%	Trading of pharmaceutical products, PRC
YJB	PRC, limited liability company	RMB23,623,392	49%	Manufacturing and trading of pharmaceutical products, PRC

The above associates have a financial year ending 31 December, which is not coterminous with that of the Group. The consolidated financial statements have been adjusted for material transactions between associates and group companies between 1 January and 31 March.

The aggregate amounts of financial information as extracted from the financial statements of the associates for the years ended 31 March 2013 and 2012 are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Assets	1,245,046	1,019,352
Liabilities	644,631	509,831
Revenue	1,120,439	764,037
Profit for the year*	93,544	57,981
	<hr/>	<hr/>

Amounts due from associates are unsecured, interest-free and repayable on demand.

The carrying amounts of these balances approximate their fair value.

* *Profit for the year ended 31 March 2013 in which the associates were equity accounted for amounted to HK\$93,544,000.*

23. Intangible Assets — Group

	Technical know-how HK\$'000
Year ended 31 March 2012	
Opening net carrying amount	11,765
Additions	18,229
	<hr/>
Closing net carrying amount	29,994
	<hr/>
At 31 March 2012	
Cost and net carrying amount	29,994
	<hr/> <hr/>
Year ended 31 March 2013	
Opening net carrying amount	29,994
Disposals (note 39)	(29,994)
	<hr/>
Closing net carrying amount	—
	<hr/>
At 31 March 2013	
Cost and net carrying amount	—
	<hr/> <hr/>

The Group’s technical know-how represented technology and formulae acquired for the development and production of pharmaceutical products.

As at 31 March 2012, the development of the technology was still in progress and had not yet been applied to mass production. The directors of the Company considered that as technical know-how had not yet been available for use, the balances were not amortised during the year ended 31 March 2012, but were subject to impairment test at least annually, or more frequently when there are indications that its carrying amount may not be recoverable. As at 31 March 2012, management of the Group determined that there was no impairment of intangible assets.

On 23 July 2012, Base Affirm, a wholly owned subsidiary, entered into a technology transfer agreement with YJB (the “Technology Transfer Agreement”), pursuant to which an aggregate consideration of RMB111 million (HK\$135.4 million equivalent) is payable by YJB upon satisfaction of the pre-conditions set for each of the following three phases:

- at phase 1, the Group will transfer the technical documents of the technical know-how (the “Key Product Technology”) to YJB within six months upon signing the Technology Transfer Agreement;
- at phase 2, the Group has to assist YJB to construct a production plant with its ancillary facilities for the production of bulk materials relating to the Key Product Technology to be qualified by the Group and YJB within a prescribed construction budget, and to obtain the production licence from the State Food and Drug Administration of the PRC by 31 December 2013; and

- at phase 3, the Group has to assist YJB to commence (i) full scale of production of bulk materials relating to the Key Product Technology with a prescribed production capacity and ensuring the unit production cost of such bulk materials relating thereto not exceeding the prescribed unit cost, and (ii) obtaining the registration certificates of such products as well as the certification of “Good Manufacturing Practice” (“GMP”) by the State Food and Drug Administration of the PRC by no later than 31 March 2015.

According to the Technology Transfer Agreement, RMB40.0 million, RMB20.0 million and RMB51.0 million (equivalent to HK\$48.8 million, HK\$24.4 million and HK\$62.2 million respectively)) will be settled upon satisfaction of the pre-conditions set for phase 1, phase 2 and phase 3 respectively as mentioned above.

The above payment schedule may be extended by mutual agreement between the contracting parties to the Technology Transfer Agreement; while the maximum consideration will be subject to adjustment(s) if certain of the above terms and conditions cannot be fulfilled in full. As ancillary to the Technology Transfer Agreement, the Company (being the guarantor) and YJB further entered into a guarantee agreement on 23 July 2012, pursuant to which YJB has been guaranteed by the Company for the implementation of all the pre-conditions as set out therein. In case of YJB’s failure of obtaining the requisite registration certificates of such products as well as the certification of GMP by the State Food and Drug Administration of the PRC by 31 December 2016, YJB may request Base Affirm and/or the Company to repurchase the Key Product Technology that had already been transferred to YJB; while Base Affirm and/ or the Company has to repay the full consideration that had already been paid to YJB up to that time. In the opinion of the directors of the Company, failure of fulfilling the pre-conditions under the Technology Transfer Agreement so as leading to Base Affirm and/or the Company’s obligations for making repayment to YJB is remote.

On 28 September 2012, the Key Product Technology was transferred to YJB representing the fair value of the Key Product Technology of RMB42,519,000 (HK\$51,853,000 equivalent), and its carrying amount of HK\$29,994,000 which resulted to a gain on disposal of HK\$21,859,000, was included in “Gain on disposal of a subsidiary” (note 39).

24. Accounts Receivable — Group

The directors of the Company consider that the fair values of accounts receivable are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

The Group generally allows a credit period of 30 days to 180 days (2012: 30 days to 180 days) to its trade customers. Based on invoice date, ageing analysis of the Group’s accounts receivable is as follows:

	2013 HK\$ '000	2012 HK\$ '000
Within 3 months	8,282	15
Over 3 months but less than 6 months	—	57,933
Over 6 months	—	1,178
	<u>8,282</u>	<u>59,126</u>

At each reporting date, the Group first assesses whether objective evidence of impairment exists individually for its accounts receivable that are individually significant, and individually or collectively for accounts receivable that are not individually significant. The Group also assesses collectively for accounts receivable with similar credit risk characteristics for impairment. The

impaired receivables, if any, are determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable. Based on impairment assessment, no impairment loss was recognised for the Group's accounts receivable for the years ended 31 March 2013 and 2012.

The Group did not hold any collateral as security or other credit enhancements over the accounts receivable, whether determined on an individual or collective basis.

Ageing analysis of the Group's accounts receivable that were past due as at the reporting dates but not impaired, based on due date is as follows:

	2013 HK\$'000	2012 HK\$'000
Past due and not impaired		
Over 1 month but less than 6 months past due	—	1,242

As at 31 March 2013, accounts receivable of HK\$8,282,000 (2012: HK\$57,884,000) were neither past due nor impaired. These related to a number of customers from whom there was no recent history of default.

Accounts receivable that were past due but not impaired relate to customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

25. Deposits, Prepayments and other Receivables — Group

	2013 HK\$'000	2012 HK\$'000
Deposits	670	14,858
Other receivables, net (<i>note (a)</i>)	7,840	21,450
Prepayments	2,124	3,118
	10,634	39,426
<i>Less: Deposit for land use right included under non-current assets (note (b))</i>	—	(14,326)
Prepayments included under current assets	10,634	25,100

Notes:

- (a) Other receivables as at 31 March 2012 included outstanding consideration in relation to disposal of equity interests in Longchang of HK\$22,013,000, net of impairment provision of HK\$10,000,000. The receivable was secured by 10% equity interests of a PRC entity and personal guarantee provided by an equity holder of that PRC entity. Having assessed the impairment, management estimated that the remaining carrying amount of HK\$12,013,000 was not recoverable and hence further impairment provision of HK\$12,013,000 (*note 8(b)*) was made during the year ended 31 March 2013.

(b) During the year ended 31 March 2012, amount of RMB11,604,000 (HK\$14,326,000 equivalent) was paid by the Group for the land use rights in Yunnan, the PRC. As the legal title of the land had not yet been transferred to the Group at 31 March 2012, the balance was classified as a non-current deposit. During the year ended 31 March 2013, the legal title of the land has been transferred to the Group and the corresponding amount was transferred to land use rights.

The carrying amount of deposits and other receivables is considered a reasonable approximation of fair value.

26. Derivative Financial Assets

These relate to interest rate swap and foreign currency forward contracts entered into by the Group to mitigate exchange rate exposure of RMB against HK\$ or US\$ and interest rate exposure arising from certain bank borrowings of HK\$79,960,000 (2012: HK\$97,821,000) (note 29) which are interest bearing at floating rate.

These derivative financial instruments are stated at fair value, which has been measured as described in note 40(ii). During the year, net fair value loss of HK\$6,218,000 (2012: Net fair value gain of HK\$4,019,000) (note 8) was charged to profit or loss under “Other gains and losses”.

27. Treasury Products at Fair Value Through Profit or Loss

	2013 HK\$'000	2012 HK\$'000
Unlisted debt securities with principal protected at maturity by Bankers		
— Designated at fair value through profit or loss	100,888	161,032

The Group’s treasury products as at 31 March 2013 include the followings:

- debt securities (including embedded derivatives) of HK\$41,195,000 (2012: HK\$58,792,000) with redemption amount that is indexed to the value of equity instruments and principal protected at maturity by Standard Chartered Bank London; and
- debt securities (including embedded derivatives) of HK\$59,693,000 (2012: HK\$59,237,000) with redemption amount that is indexed to exchange rates of a basket of currencies and principal protected at maturity by Standard Chartered Bank London.

The Group’s treasury products as at 31 March 2012, in additions to the above items, also include debt securities (including embedded derivatives) of HK\$43,003,000 with redemption amount that is indexed to the London Interbank Offered Rate and principal protected at maturity by The Hongkong and Shanghai Banking Corporation Limited.

The fair value of the Group’s unlisted securities has been measured as described in note 40(i). During the year, fair value gain of HK\$2,893,000 (2012: Loss of HK\$428,000) (note 8) was recognised.

As at 31 March 2013, treasury products with net carrying amount of HK\$100,888,000 (2012: HK\$141,427,000) have been pledged to the banks as securities of certain bank borrowings (note 29).

28. Pledged Bank Deposits and Cash and Cash Equivalents — Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash and bank balances	94,058	58,532
Time deposits	76,652	90,008
Less: Pledged bank deposits (note 29)	<u>(76,652)</u>	<u>(90,008)</u>
Cash and cash equivalents	<u>94,058</u>	<u>58,532</u>

Time deposits earn 2.65% interest per annum (2012: 2.28% to 2.95%). These deposits have been pledged to secure the Group's bank borrowings (note 29). The directors of the Company consider that the fair value of time deposits is not materially different from its carrying amount.

As at 31 March 2013, no bank balance denominated in RMB was placed with the banks in the PRC.

As at 31 March 2012, included in cash and bank balances of the Group are bank balances of HK\$6,374,000 denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

29. Bank Borrowings — Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current liabilities		
Portion of term loans from banks due for repayment within one year	169,529	156,821
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause	<u>9,016</u>	<u>99,250</u>
	<u><u>178,545</u></u>	<u><u>256,071</u></u>

All bank borrowings are interest bearing and are carried at amortised cost. All term loans which contain a repayment on demand clause are classified as current liability. The directors of the Company expect that the term loans with repayment on demand clause will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Bank loans:		
Secured by pledge of assets	178,545	240,071
Unsecured	<u>—</u>	<u>16,000</u>
	<u><u>178,545</u></u>	<u><u>256,071</u></u>

Bank borrowings of HK\$178,545,000 (2012: HK\$256,071,000) as at 31 March 2013 are secured by one of the Group's investment properties with net carrying amount of HK\$22,000,000 (2012: HK\$29,000,000) (note 19), bank deposits of HK\$76,652,000 (2012: HK\$90,008,000) (note 28) and treasury products with net carrying amount of HK\$100,888,000 (2012: HK\$141,427,000) (note 27).

All of the Group’s borrowings as at 31 March 2013 and 2012 are guaranteed by the Company.

Based on the repayment dates set out in the loan agreements and ignoring the effect of any repayment on demand clauses, at 31 March 2013, the Group’s bank borrowings are scheduled to be repaid as follows:

	2013 HK\$'000	2012 HK\$'000
Due within 1 year or on demand	169,529	156,821
After 1 year but within 2 years	583	99,250
After 2 years but within 5 years	1,836	—
Over 5 years	6,597	—
	<u>178,545</u>	<u>256,071</u>

Effective interest rates of the Group’s bank borrowings at the reporting dates were as follows:

	Interest rates	
	2013	2012
Bank borrowings in HK\$ — Floating rate, to be matured between 2012 and 2015 (2012: between 2011 and 2015)	1% to 2.25% above one-month, three-months and six months HIBOR	1% to 2.5% above one-month, three-months and six months HIBOR
Bank borrowings in US\$ — Floating rate, to be matured between 2012 and 2013 (2012: between 2011 and 2013)	0.5% above three-month LIBOR	1% to 1.25% above one-month LIBOR

In the opinion of the directors, the carrying amounts of the Group’s bank borrowings approximate their fair values.

The Group’s bank borrowings are subject to the fulfilment of certain loan covenants. In the circumstances where the covenants are not met, the drawn down facilities will become repayable on demand. Pursuant to the loan agreements entered into by KJP and JJRP with the banks, KJP and JJRP are required to remain as subsidiaries of the Group (the “Subsidiary Covenant”). However, after the reorganisation, KJP and JJRP became 40%-owned associated companies of the Group from 30 March 2011 and accordingly, the Subsidiary Covenant is not met. On 22 May 2012, the Group had received a waiver letter from the banks in relation to the Subsidiary Covenant and the bank has agreed to amend the term that KJP and JJRP are required to remain not less than 49% owned by the Company.

30. Accounts and Bills Payable — Group

Ageing analysis of accounts and bills payable is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Accounts payable		
Within 3 months	5,119	—
Bills payable	2,608	4,992
	<u>7,727</u>	<u>4,992</u>

Accounts and bills payable are non-interest bearing and are all are expected to be settled within one year.

The fair values of the Group's accounts and bills payable at 31 March 2013 and 2012 approximate to their corresponding carrying amounts due to their short-term maturities.

31. Derivative Financial Liabilities — Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Fair value of Put option (<i>note (a)</i>)	64,060	53,704
Fair value of interest rate swap and foreign currency forward contracts	463	—
	<u>64,523</u>	<u>53,704</u>

Notes:

- (a) In connection with the Capital Injection detailed in note 8(a), the Group and the subscribers entered into agreements, pursuant to which Put options were granted to the subscribers. The Group had obligations to purchase the equity interests from the subscribers upon exercise of the options by the subscribers if KJP does not obtain a listing on a stock exchange within 48 months from the completion date of Capital Injection, each of the subscribers may, within 6 months from the expiry of such 48 months, request the Group to purchase the subscribers' interest in KJP, plus a compound interest of 10% per annum thereon. The Put option was valued by an independent valuer, Roma, using Black-Scholes Option Pricing Model. On initial recognition and as at 31 March 2011, the fair value of the Put option was HK\$77,956,000. As at 31 March 2013, the fair value of the Put option is HK\$64,060,000 (2012: HK\$53,704,000) and the Group recognised the change in fair value amounted to HK\$10,356,000 (2012: HK\$24,252,000) in profit or loss under "Other gains and losses" (note 8).

32. Deferred Tax***Group***

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Investment property HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1 April 2011	—	—	—
Charged to profit or loss (<i>note 11</i>)	217	975	1,192
At 31 March 2012 and 1 April 2012	217	975	1,192
Charged to profit or loss (<i>note 11</i>)	—	410	410
At 31 March 2013	217	1,385	1,602

The Group has estimated tax losses arising in Hong Kong of HK\$4,461,000 (2012: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. Deferred tax assets of HK\$736,000 (2012: Nil) have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Enterprise Income Tax Law, effective from 1 January 2008, a 10% withholding tax is levied on dividends declared to the Group from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investor. The Group is therefore liable for withholding taxes at 5% on dividend distributed by its subsidiaries and associates established in the PRC in respect of earnings generated from 1 January 2008. As at 31 March 2013, deferred tax liabilities of approximately HK\$1,385,000 (2012: HK\$975,000) had been recognised in respect of the distributable earnings of a PRC associate attributable to the Group amounted to approximately HK\$27,707,000 (2012: HK\$19,506,000). The withholding tax of HK\$975,000 for last year was paid during the year ended 31 March 2013.

Company

At 31 March 2013, no deferred tax has been provided in the financial statements of the Company as the Company did not have any material temporary differences (2012: Nil).

33. Share Capital

	2013		2012	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000

	2013		2012	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 April	1,610,000,000	16,100	1,610,000,000	16,100
Employee share option exercised	15,000,000	150	—	—
At 31 March	<u>1,625,000,000</u>	<u>16,250</u>	<u>1,610,000,000</u>	<u>16,100</u>

Note:

On 29 May 2012, a director of the Company exercised his rights to convert a total of 15,000,000 share options into 15,000,000 ordinary shares of HK\$0.01 each of the Company at exercise price of HK\$0.18. Details regarding the exercise of share options are summarised in note 35.

34. Reserves

Group

Please refer to the consolidated statement of changes in equity on pages 33-34 for reserves of the Group.

(i) Contributed surplus

Pursuant to the corporate reorganisation of the Group during 2002 to 2003 (the “Reorganisation”), the Company became the holding company of the Group on 24 September 2003. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation was transferred to contributed surplus. The balance is available for distribution to shareholders subject to the provision under section 54 of the Companies Act of Bermuda.

(ii) Asset revaluation reserve

Movements during the year ended 31 March 2012 and the balance as at 31 March 2012 related to the revaluation of owner-occupied property upon reclassification to investment property (note 17).

(iii) Share premium

This represents the premium arising from the issue of shares, net of placing expenses.

Company

	Share premium <i>HK\$ '000</i>	Contributed surplus <i>HK\$ '000</i>	Share option reserve <i>HK\$ '000</i>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 April 2011	56,097	82,180	5,836	98,883	242,996
Dividend paid in respect of the previous year (<i>note 13(b)</i>)	—	—	—	(96,600)	(96,600)
Profit for the year (<i>note 12</i>)	—	—	—	33,871	33,871
At 31 March 2012 and 1 April 2012	56,097	82,180	5,836	36,154	180,267
Dividend paid in respect of the previous year (<i>note 13(b)</i>)	—	—	—	(34,125)	(34,125)
Cancellation of share options	—	—	(4,551)	4,551	—
Issue of shares upon exercise of share options	2,550	—	—	—	2,550
Exercise of share options	1,285	—	(1,285)	—	—
Grant of share option	—	—	2,027	—	2,027
Profit for the year (<i>note 12</i>)	—	—	—	11,074	11,074
At 31 March 2013	59,932	82,180	2,027	17,654	161,793
				2013 <i>HK\$ '000</i>	2012 <i>HK\$ '000</i>
Retained profits of the Company comprise:					
Proposed final dividend (<i>note 13(a)</i>)				—	33,810
Retained profits after proposed dividend				17,654	2,344
Total retained profits				17,654	36,154

35. Share-Based Employee Compensation

The Company has a share option scheme (the “Scheme”) which was adopted on 24 September 2003 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and consultants and advisers to the Group (subject to the eligibility requirements) to take up options to subscribe for shares of the Company representing up to a maximum of 10% of the shares in issue at the date of approval of the Scheme. For the options granted to vest, persons eligible to participate in this Scheme have to remain employed during the vesting period. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of the grant and average closing price of the shares on the Stock Exchange for the

five business days immediately preceding the date of grant. The options vested are exercisable within a period of five years from date of grant. Each option gives the holder the right to subscribe for one share. The grantee shall pay HK\$1 to the Company by way of consideration for the grant.

As at 31 March 2013, total number of securities available for issue under the Scheme is 160,500,000 (2012: 160,500,000), which represents 10% of the issued share capital of the Company as at 26 August 2008, the date of approval of the refreshment of the maximum number of the shares which may be issued upon the exercise of all the share options to be granted under the Scheme and such other schemes of the Company, which initially shall not in aggregate exceed 10% of the shares in issue at the date of the approval of the Scheme by the shareholders and thereafter, if refreshed shall not exceed 10% of the shares in issue as at the date of approval of refreshed limit by shareholders of the Company.

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 31 March 2013 and 2012 are as follows:

For the year ended 31 March 2013

				Granted	Exercised	Cancelled		Weighted	
	Date of grant	Exercisable period	Balance at 01/04/2012	during the year	during the year	during the year	Balance at 31/03/2013	average exercise price	Exercise date
			Number of options	Number of options	Number of options	Number of options	Number of options	HK\$	
Executive directors									
Mr. Lau Kin Tung	14/04/2008	14/04/2008 to 13/04/2013	15,000,000	—	(15,000,000)	—	—	0.18	29/5/2012
	19/10/2010	19/10/2010 to 18/10/2015	15,000,000	—	—	(15,000,000)	—	0.58	N/A
Employee/Consultant									
<i>(note (a))</i>									
In aggregate <i>(note(b))</i>	17/02/2011	17/02/2011 to 16/02/2016	3,000,000	—	—	(3,000,000)	—	0.52	N/A
In aggregate <i>(note(a))</i>	12/11/2012	12/11/2012 to 11/11/2017	—	15,000,000	—	—	15,000,000	0.34	N/A
At 31 March 2013			<u>33,000,000</u>	<u>15,000,000</u>	<u>(15,000,000)</u>	<u>(18,000,000)</u>	<u>15,000,000</u>	0.34	

For the year ended 31 March 2012

	Date of grant	Exercisable period	Balance at 01/04/2011 <i>Number of options</i>	Granted during the year <i>Number of options</i>	Exercised during the year <i>Number of options</i>	Balance at 31/03/2012 <i>Number of options</i>	Weighted average exercise price <i>HK\$</i>	Exercise date
Executive directors								
Mr. Lau Kin Tung	14/04/2008	14/04/2008 to 13/04/2013	15,000,000	—	—	15,000,000	0.180	N/A
	19/10/2010	19/10/2010 to 18/10/2015	15,000,000	—	—	15,000,000	0.580	N/A
Employee/Consultant <i>(note (b))</i>								
In aggregate	17/02/2011	17/02/2011 to 16/02/2016	3,000,000	—	—	3,000,000	0.520	N/A
At 31 March 2012			<u>33,000,000</u>	<u>—</u>	<u>—</u>	<u>33,000,000</u>	0.390	

Note:

- (a) These options were granted to several employees and a consultant on 12 November 2012.
- (b) These options were granted to an employee on 17 February 2011. That employee subsequently became a consultant of the Group in June 2011.

All share-based employee compensation will be settled in equity. The share options outstanding as at 31 March 2013 had weighted average exercise prices of HK\$0.34 (2012: HK\$0.39) and a weighted average remaining contractual life of 4.62 years (2012: 2.44 years).

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.32.

Of the total number of options outstanding at the year, 15,000,000 (2012: 33,000,000) had vested and were exercisable at the end of the year.

During the year, total consideration of HK\$4 was received by the Group from the grantees for taking up the options and in total, share-based payment expense of HK\$2,027,000 was recognised in profit or loss with the corresponding amount recognised in share option reserve in equity.

During the year ended 31 March 2012, no share option was granted by the Group and accordingly, no consideration was received and no share-based payment expense was recognised in profit or loss for the year.

As at 31 March 2013, total number of shares available for issue upon exercise of share options granted under the Scheme was 15,000,000 (2012: 33,000,000), representing approximately 1.0% (2012: 2.0%) of the issued share capital of the Company at that date.

The following significant assumptions were used to derive the fair values of the share options, using the Binomial Option Pricing Model:

Share options granted on	19 October 2010	17 February 2011	12 November 2012
Share price	HK\$0.58	HK\$0.51	HK\$0.34
Exercise price	HK\$0.58	HK\$0.52	HK\$0.34
Expected volatility	71%	71%	69%
Expected option life (year)	5	5	5
Weighted average annual risk-free interest rate	1.23%	2.01%	0.58%
Expected dividend yield	4.12%	4.12%	6.18%
Suboptimal exercise factor	2.20	2.20	2.20

The expected volatility was determined with reference to the historical volatility of the Company's share prices. It is assumed that the volatility is constant throughout the option life. The expected volatility reflects the assumption that the historical volatility is indicative of future share market price trends, which may also not necessarily be the actual outcome. Risk-free interest rate was determined with reference to the yield of Exchange Fund Notes as at the grant date.

36. Commitments

(a) Operating lease commitments

At the reporting date, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

Group

	2013 HK\$'000	2012 HK\$'000
Within 1 year	3,592	1,260
After 1 year but within 5 years	1,452	62
	<u>5,044</u>	<u>1,322</u>

The Group leases a number of properties under operating leases. The leases run for periods from one year to two years (2012: one year to two years). None of the leases include contingent rentals.

Company

As at 31 March 2013, the Company does not have any operating lease commitment (2012: Nil).

(b) Operating lease arrangements

At 31 March 2013, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 1 year	1,342	840
After 1 year but within 5 years	<u>615</u>	<u>700</u>
	<u>1,957</u>	<u>1,540</u>

During the year, the Group leased one of its investment properties to an associate under operating lease arrangements which run for an initial period of 2 years (2012: 2 years).

Company

As at 31 March 2013, the Company does not have any minimum lease receipts under non-cancellable operating leases (2012: Nil).

(c) Capital commitments

At the reporting date, outstanding capital commitments not provided for in the financial statements were as follows:

Group

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Contracted but not provided for:		
— acquisition of property, plant and equipment	<u>—</u>	<u>65,921</u>

Company

As at 31 March 2013, the Company does not have any significant capital commitment (2012: Nil).

37. Related Party Transactions — Group

Save as disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties:

(a) Related party transactions:

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Recurring:			
Sales of goods:			
— KJP Group	(i)	—	31,639
Purchase of goods:			
— KJP	(i)	794	27,614
— JJRP	(i)	—	9,748
Loan interest received:			
— KJP	(i)	—	175
— YJPL	(i)	—	236
Rentals received:			
— Jiwa Pharm (HK)	(ii)	840	210
Rentals paid:			
— Mr. Lau Yau Bor	(iii)	810	720
— Jiwa Investment Limited	(iv)	2,348	2,040

Notes:

- (i) KJP, JJRP and YJPL are former subsidiaries of the Group. They became associates of the Group since 30 March 2011.
- (ii) Jiwa Pharm (HK) is an associate of the Group.
- (iii) A director of the Company, Mr. Lau Yau Bor, leased certain properties to the Group.
- (iv) Jiwa Investment Limited, which is controlled by Mr. Lau Yau Bor and Madam Chan Hing Ming, the directors of the Company, leased certain staff quarters and office premises to the Group.

- (b)** During the year ended 31 March 2013, the Group had issued irrevocable corporate guarantee in respect of a loan in a sum of HK\$237 million made by Nanyang Commercial Bank, Ltd (“Nanyang Bank”) to KJP Group, associate companies of the Group. The Group is entitled to receive handling fee of HK\$1,896,000 per annum (being calculated as 0.8% of the total amount of the guarantees).

During the year ended 31 March 2012, the Group had issued irrevocable corporate guarantee in respect of a loan in a sum of HK\$117 million made by Nanyang Bank to KJP, an associate of the Group. The Group is entitled to receive handling fee of HK\$936,000 per annum (being calculated as 0.8% of the total amount of the guarantees).

As at 31 March 2013, the aggregate amount of corporate guarantee issued by the Group to banks with respect of bank borrowings of its associates was HK\$217,000,000 (2012: HK\$150,323,000) (note 38).

(c) During the 3-month period ended 31 March 2012, the Group assisted its associate, KJP Group, to carry out a pharmaceutical trading business pending the approval of various licences application required to carry on such business.

(d) *Balance with related parties*

As at 31 March 2013, amount due from a director amounted to HK\$235,000 (2012: HK\$155,000), which was included in “Deposits, prepayments and other receivables” in the consolidated financial position. The balance is unsecured, interest-free and repayable on demand.

(e) *Compensation of key management personnel*

Remuneration of directors and other members of key management during the year are as follows:

	2013 HK\$'000	2012 HK\$'000
Fee, salaries, other allowances and benefits in kind	3,542	3,602
Discretionary bonus	128	310
Rentals for directors	2,060	1,920
Share-based employee compensation	405	—
Contribution to defined contribution plans	44	38
	<u>6,179</u>	<u>5,870</u>

38. **Guarantee**

Group

As at 31 March 2013, the Group has issued corporate guarantees to banks amounting to approximately HK\$217,000,000 (2012: HK\$150,323,000) with respect to banking facilities granted by banks to its associates. As at 31 March 2013, the outstanding balances of the bank borrowings were HK\$157,000,000 (2012: HK\$33,323,000).

Company

As at 31 March 2013, the Company has issued corporate guarantees to banks amounting to approximately HK\$674,177,000 (2012: HK\$919,381,000) with respect to banking facilities granted by banks to its subsidiaries and associates. As at 31 March 2013, the outstanding balances of the bank borrowings were HK\$388,152,000 (2012: HK\$289,394,000).

39. DISPOSAL OF A SUBSIDIARY

As detailed in note 1, on 24 September 2012, the Group disposed of its subsidiary, YJB. In addition, as detailed in note 23, the Key Product Technology was disposed to YJB on 28 September 2012. The transactions were considered as linked transactions as they were entered into in close proximity in time to one another and these transactions have the same business purpose of producing the key product, the gains on the disposal of YJB and the intangible assets therefore were accounted for together. The carrying amount of the net assets of YJB and the carrying amount of the intangible assets at the disposal dates were as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Property, plant and equipment	17	1,919
Land use rights	18	16,060
Construction in progress	20	2,152
Other receivables		2,990
Cash and cash equivalents		1,233
Amount due to related companies		(1,852)
Net assets disposed of		22,502
Release of translation reserve upon disposal		(1,002)
Gain on disposal of YJB		1,670
Intangible assets disposed of	23	29,994
Gain on disposal of intangible assets	a	21,859
Total		75,023
Satisfied by:		
Cash consideration		48,108
Deferred consideration	b	26,915
		75,023
Net cash outflow arising on disposal		
Cash consideration		48,108
Cash and cash equivalents disposed of		(1,233)
Net inflow of cash and cash equivalents		46,875
Aggregate amount of the gains on disposal of YJB and intangible assets	8	23,529

Notes:

- (a) At the date of disposal of the intangible assets, the fair value and the carrying amount of the intangible assets was amounted to HK\$51,853,000 and HK\$29,994,000 (note 23) respectively which resulted in a gain on disposal of HK\$21,859,000.
- (b) The deferred consideration will be settled in cash, of which, HK\$23,843,000 was received by the Group on 6 June 2013.

40. Summary of Financial Assets and Liabilities by Category

The following table shows the carrying amounts and fair value of financial assets and financial liabilities as defined in notes 2.10, 2.12 and 2.14.

	Group		Company	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Loans and receivables:				
Accounts receivable	8,282	59,126	—	—
Deposits and other receivables	905	14,861	—	—
Amounts due from associates	81,873	50,011	436	—
Amounts due from subsidiaries	—	—	82,105	113,345
Dividend receivables	—	—	12,312	—
Pledged bank deposits	76,652	90,008	—	—
Cash and cash equivalents	94,058	58,532	782	538
Fair value through profit or loss:				
Derivative financial instrument held for trading	—	4,019	—	—
Treasury products designated upon initial recognition at fair value through profit or loss	100,888	161,032	—	—
	<u>362,658</u>	<u>437,589</u>	<u>95,635</u>	<u>113,883</u>
Financial liabilities				
Financial liabilities measured at amortised costs:				
— Bank borrowings	178,545	256,071	—	—
— Accounts and bills payable	7,727	4,992	—	—
— Accrued expenses and other payables	2,283	5,442	3	3
Fair value through profit or loss:				
— Derivative financial instrument held for trading	463	—	—	—
— Held for trading:				
Fair value of Profit guarantee	—	—	—	—
Fair value of Put option	64,060	53,704	—	—
	<u>253,078</u>	<u>320,209</u>	<u>3</u>	<u>3</u>

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3:

Inputs for the asset or liability that are not based on observable market data (unobservable input).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	2013			
	Level 1	Level 2	Level 3	Total
	HK'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— <i>Designated upon initial recognition:</i>				
Treasury products at fair value through profit or loss				
<i>(note (i))</i>	—	100,888	—	100,888
Liabilities				
Financial liabilities at fair value through profit or loss				
— Held for trading				
Interest rate swap and foreign currency forward contracts				
<i>(note (ii))</i>	—	(463)	—	(463)
Put option <i>(note (iii))</i>	—	—	(64,060)	(64,060)
	—	100,425	(64,060)	36,365

	2012			
	Level 1	Level 2	Level 3	Total
	HK '\$000	HK '\$000	HK '\$000	HK '\$000
Assets				
Financial assets at fair value				
through profit or loss				
— <i>Held for trading:</i>				
Interest rate swap and				
foreign currency				
forward contracts				
(note (ii))	—	4,019	—	4,019
— <i>Designated upon initial</i>				
<i>recognition:</i>				
Treasury products at fair				
value through profit or				
loss (note (i))	—	161,032	—	161,032
Liabilities				
Financial liabilities at fair				
value through profit or loss				
Put option (note (iii))	—	—	(53,704)	(53,704)
	—	165,051	(53,704)	111,347

Notes:

- (i) The treasury products are unlisted securities not traded on active markets. The fair value of these products is determined with reference to valuations provided by the banks and valuations assessed by independent professional valuers using valuation techniques that maximise the use of observable market inputs (i.e. market currency and interest rates (Level 2)).
- (ii) The derivatives entered into by the Group and included in Level 2 consist of interest rate swap and foreign currency forward contracts. These are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs (i.e. market currency and interest rates (Level 2)).
- (iii) The Group's financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level are reconciled from opening to closing balances as follows:

	2013	2012
	HK '\$000	HK '\$000
Derivatives financial liabilities		
At 1 April	(53,704)	(106,838)
Other adjustments	(463)	25,593
Gain on derecognition of Profit guarantee (note 8(a))	—	3,289
Fair value (loss)/gain on Put option (note 31(a))	(10,356)	24,252
At 31 March	(64,523)	(53,704)

There have been no transfers into or out of Level 3 in the reporting period.

For the year ended 31 March 2012, fair value gain on Profit guarantee of HK\$3,289,000 was recognised in profit or loss and included in “Other gains and losses (note 8(a))”. In addition, fair value loss on Put option of HK\$10,356,000 (2012: gain of HK\$24,252,000) was recognised in profit or loss and included in “Other gains and losses” (note 8(a)).

41. Financial Risk Management

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), price risk, credit risk and liquidity risk.

Financial risk management is coordinated at the Group’s headquarters, in close co-operation with the directors of the Company. Overall objectives in managing financial risks focus on securing the Group’s short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

The finance department works under the financial risk management policies approved by the directors of the Company. It identifies ways to access financial markets and monitors the Group’s financial risk exposures. Regular reports are provided to the directors of the Company.

(a) Foreign currency risk

(i) Transactions in foreign currencies and the Group’s risk management policies

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in RMB, Euro (“EUR”) and US\$. These are not the functional currencies of the group entities to which these transactions relate. As HK\$ is pegged to US\$, the Group does not have any significant exposure to currency risk resulting from transactions conducted in US\$. The Group reviews its foreign currency exposure regularly and will consider hedging significant foreign currency exposure should the need arise.

To mitigate the Group’s exposure to foreign currency risk, cash flows in foreign currencies are monitored and forward foreign exchange contracts and other derivative instruments are entered into in accordance with the Group’s risk management policies. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(ii) *Summary of exposure*

Foreign currency denominated financial assets and liabilities, translated into HK\$ at the closing rates, are as follows:

	2013			2012		
	RMB	US\$	EUR	RMB	US\$	EUR
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts receivable	1,088	5,493	964	54,944	—	4,073
Deposits and other receivables	—	—	—	12,141	—	—
Amounts due from associates	81,873	—	—	27,267	—	—
Pledged bank deposits	76,652	—	—	90,008	—	—
Cash and cash equivalents	12,391	32,994	242	25,293	2,894	5,219
Bank borrowings	—	(79,960)	—	—	(94,251)	—
Derivative financial liabilities	(64,060)	—	—	(53,704)	—	—
Accounts and bills payable	—	(4,156)	(3,571)	—	—	(4,992)
Net exposure arising from recognised financial assets/(liabilities)	<u>107,944</u>	<u>(45,629)</u>	<u>(2,365)</u>	<u>155,949</u>	<u>(91,357)</u>	<u>4,300</u>

During the year, the Group has entered into foreign currency forward contracts to mitigate foreign currency exposure arising from RMB against HK\$ or US\$. As at 31 March 2013, the notional amount of these outstanding foreign currency forward contracts was HK\$76,652,000 (2012: HK\$93,862,000).

The Company did not have any significant exposure to foreign currencies at the reporting date (2012: Nil).

(iii) *Sensitivity analysis*

The following table illustrates the sensitivity of the Group's profit after tax for the year and equity in regards to a 2% and 4% (2012: 3% and 2%) appreciation in the group entities' functional currencies against RMB and EUR respectively. These percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

Sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2013		2012	
	RMB	EUR	RMB	EUR
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year and retained profits	<u>(1,807)</u>	<u>79</u>	<u>(1,764)</u>	<u>(59)</u>

An 2% and 4% depreciation in the group entities’ functional currencies against RMB and EUR respectively would have the same magnitude on the Group’s profit for the year and equity but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 March 2012.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group’s exposure to foreign currency risk.

(b) Interest rate risk

(i) Exposures to interest rate risk and the Group’s risk management policies

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest rate risk arises primarily from bank borrowings. These borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group reviews whether bank borrowings bearing floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank borrowings and cash and bank balances of the Group are disclosed in notes 29 and 28 respectively. The directors of the Company monitor interest rate change exposure and will consider hedging significant interest rate exposure should the need arise. The policies to management interest rate risk have been consistently applied by the Group and are considered to be effective.

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group’s profit for the year and equity to a possible change in interest rates of +/-1% (2012: +/-1%), with effect from the beginning of the year. The calculations are based on the Group’s financial assets and liabilities held at the reporting date. All other variables are held constant.

	Change in interest rate	2013		Change in interest rate	2012	
		Increase/(Decrease) in profit for the year	Increase/(Decrease) in retained profits		Increase/(Decrease) profit for the year	Increase/(Decrease) In retained profits
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
Borrowings in HK\$	+1%	(823)	(823)	+1%	(1,321)	(1,321)
	-1%	823	823	-1%	1,321	1,321

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management’s assessment of a reasonably possible change in interest rate over the period until the next annual reporting date. The sensitivity analysis included in the financial statements of the year ended 31 March 2012 has been prepared on the same basis.

(c) *Other price risk*

(i) *Exposures to other price risk and the Group's risk management policies*

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in unlisted debt securities, which are classified as treasury products at fair value through profit or loss.

To manage its market risk arising from these investments, the Group maintains a portfolio of investments with different risk and return profile and will consider hedging the risk exposure should the need arise.

(ii) *Sensitivity analysis*

As at 31 March 2013, if the prices had increased/(decreased) by 1% and all other variables were held constant, the Group's profit for the year and retained profits would have increased/(decreased) by approximately HK\$842,000 (2012: HK\$1,345,000).

Sensitivity analysis has been determined assuming that the price change had occurred at the reporting date and has been applied to the Group's investments in treasury products on that date.

(d) *Credit risk*

(i) *Summary of exposure*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from credit terms granted to its customers in the ordinary course of its operations and its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 38.

(ii) *Risk management objective and policies*

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on cash and cash equivalents is mitigated as cash is deposited in banks of high credit rating. Credit risk on receivables is minimised as the Group performs ongoing evaluation on the financial condition of its debtors and tightly monitors the ageing of its receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverability of receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

As disclosed in note 6, a significant portion of Group's sales are made to several major customers. These customers made continuous settlements with the Group and therefore, management believes that the credit risk on the amounts due is minimal. The remaining amount of accounts and bills receivable is attributable to a number of counterparties and customers and therefore, the Group has no significant concentration of credit risk on the remaining amounts.

The Group adopts conservative investment strategies. Investment decisions and guarantees to non-group entities have to be approved by the directors of the Company. For investments in treasury products, only issuers and/or brokers with high credit rating would be considered.

The credit and investment policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(e) *Liquidity risk*

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of accounts payable, other payables as well as its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and long term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 90-day and 180-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

The liquidity policies have been consistently applied by the Group and are considered to have been effective in managing liquidity risks.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative financial liabilities and derivative financial liabilities as at 31 March 2013 and 2012. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group and the Company can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group and the Company is committed to pay.

Specifically, for term-loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group and the Company can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

The analysis is based on the undiscounted cash flows of the financial liabilities.

At 31 March 2013

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Contractual undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
Non-derivatives						
Bank borrowings	178,545	—	—	—	178,545	178,545
Accounts and bills payable	—	7,727	—	—	7,727	7,727
Accrued expenses and other payables	2,283	—	—	—	2,283	2,283
	<u>180,828</u>	<u>7,727</u>	<u>—</u>	<u>—</u>	<u>188,555</u>	<u>188,555</u>
Derivatives						
Derivative financial liabilities	<u>—</u>	<u>463</u>	<u>—</u>	<u>504,309</u>	<u>504,772</u>	<u>64,523</u>
Financial guarantees issued						
Maximum amount guaranteed (note (a))	<u>217,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>217,000</u>	<u>—</u>
	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Contractual undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company						
Accrued expenses and other payables	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>3</u>
Financial guarantees issued						
Maximum amount guaranteed (note (a))	<u>959,808</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>959,808</u>	<u>—</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

At 31 March 2012

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Contractual undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
Non-derivatives						
Bank borrowings	256,071	—	—	—	256,071	256,071
Accounts and bills payable	—	4,992	—	—	4,992	4,992
Accrued expenses and other payables	5,442	—	—	—	5,442	5,442
	<u>261,513</u>	<u>4,992</u>	<u>—</u>	<u>—</u>	<u>266,505</u>	<u>266,505</u>
Derivatives						
Derivative financial liabilities	—	—	—	498,083	498,083	53,704
	<u>—</u>	<u>—</u>	<u>—</u>	<u>498,083</u>	<u>498,083</u>	<u>53,704</u>
Financial guarantees issued						
Maximum amount guaranteed (note (a))	150,323	—	—	—	150,323	—
	<u>150,323</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>150,323</u>	<u>—</u>
	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Contractual undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company						
Accrued expenses and other payables	3	—	—	—	3	3
	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>3</u>
Financial guarantees issued						
Maximum amount guaranteed (note (a))	919,381	—	—	—	919,381	—
	<u>919,381</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>919,381</u>	<u>—</u>

Note:

- (a)
- Contractual financial guarantees provided by the Group and the Company are disclosed in note 38. As assessed by the directors, it is not probable that the banks would claim the Group and the Company for losses in respect of the guarantee contracts as it not probable that the subsidiaries and associates would default repayment of bank borrowings. Accordingly, no provision for the Group’s and the Company’s obligations under the guarantees has been made. The contractual maturity of these financial guarantees is “on demand”.

The following table summarises the maturity analysis of term loans with repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group’s and the Company’s financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

	Total undiscounted cash flows <i>HK\$'000</i>	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>
Group						
31 March 2013	<u>180,978</u>	<u>—</u>	<u>170,403</u>	<u>798</u>	<u>2,394</u>	<u>7,383</u>
31 March 2012	<u>257,810</u>	<u>—</u>	<u>167,246</u>	<u>85,253</u>	<u>5,311</u>	<u>—</u>

The Company did not have any term loans subject to repayment on demand clause as at 31 March 2013 and 2012.

42. Capital Management Policies and Procedures

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors its capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, raise new debt financing or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2013 and 2012.

The Group monitors capital using gearing ratio, which is net debt divided by total equity. Net debt is calculated as bank borrowings less cash and cash equivalents and pledged bank deposits as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at the reporting date were as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Bank borrowings	178,545	256,071
Less: Cash and cash equivalents	(94,058)	(58,532)
Less: Pledged bank deposit	<u>(76,652)</u>	<u>(90,008)</u>
Net debt	<u>7,835</u>	<u>107,531</u>
Total equity	<u>615,937</u>	<u>604,583</u>
Gearing ratio	<u>1%</u>	<u>18%</u>

43. Events after Reporting date

On 25 April 2013, 15,000,000 options carrying the rights to subscribe for 15,000,000 ordinary shares of HK\$0.01 each of the Company granted under the share option scheme adopted by the Company on 24 September 2003 have been exercised by 4 grantees of the Company at an exercise price of HK\$0.34 each on 25 April 2013. Upon the exercise of the Options and at the date of this announcement, the total number of issued shares of the Company is 1,640,000,000.

3. NO MATERIAL CHANGE

The Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date, save for:

- a. the decrease in the interests in associates and the amounts due from associates of the Group as a result of the completion of the Disposal;
- b. the decrease in the Group's balance of investment properties due to the completion of the Property Disposal;
- c. the expected decrease in the Group's balance of cash and cash equivalents mainly due to the net cash outflows resulted from the distribution of the Special Dividend netting off the net proceeds from the Disposal and the Property Disposal;
- d. the decrease in the Group's accounts receivable due to settlements;
- e. there was no write back of impairment on the Group's other receivables;
- f. the decrease in the Group's balance of bank borrowings due to repayment of the loans;
- g. the significant increase in revenue generated by the Group due to the boost in demand of corticosteroid and liver diseases drugs;
- h. the increase in cost of sales of the Group due to appreciation of euro against HK\$; and
- i. the commitment pursuant to the Management Agreement.

4. INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had secured bank borrowings of approximately HK\$89.0 million. The secured bank borrowings are secured by treasury products with carrying amounts in aggregate of approximately HK\$98.72 million.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into HK\$ at the approximate exchange rates prevailing as at the close of business on 31 July 2013.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 July 2013, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Group and the Offer.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror, its ultimate beneficial owner(s) and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the Offeror accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group, the Vendors and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, its ultimate beneficial owner(s) and parties acting in concert with them) is in compliance with the Listing Rules. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief: (i) the information contained in this Composite Document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Composite Document misleading; and (iii) all opinions expressed in this Composite Document have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

2. CORPORATE INFORMATION OF THE COMPANY

The Company is incorporated in Bermuda on 19 June 2002 with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Company is investment holding and the principal activities of its subsidiaries are (i) trading of imported pharmaceutical products; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D of chemical and biological products; and (iv) investment holding and treasury function.

The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

3. SHARE CAPITAL AND SHARE OPTIONS OF THE COMPANY

The authorised share capital and the issued share capital of the Company as at the Latest Practicable Date were HK\$100,000,000 divided into 10,000,000,000 Shares and HK\$16,400,000 divided into 1,640,000,000 Shares, respectively.

All existing issued Shares rank *pari passu* in all respect including all rights as to dividends, voting and interests in capital.

As at the Latest Practicable Date, the Company had no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

Since 31 March 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, the Company had issued 15,000,000 new Shares. Such 15,000,000 Shares aforesaid were issued on 25 April 2013 pursuant to the share option scheme adopted by the Company on 24 September 2003. Please refer to the announcement of the Company dated 29 April 2013 pursuant to Rule 3.8 of the Takeovers Code for further details.

4. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price of Shares (HK\$)
28 September 2012	0.33
31 October 2012	0.325
30 November 2012	0.38
31 December 2012	0.4
31 January 2013	0.45
28 February 2013	0.51
11 March 2013 (Last Trading Day)	0.475
30 April 2013	0.69
31 May 2013	0.9
28 June 2013	0.76
31 July 2013	0.93
27 August 2013 (Latest Practicable Date)	0.58

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.04 on 8 August 2013 and HK\$0.32 on 17 September 2012, 18 September 2012, 19 September 2012, 20 September 2012, 21 September 2012, 9 October 2012, 6 November 2012 and 7 November 2012, respectively.

5. DISCLOSURE OF INTERESTS**(a) Interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any 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 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 the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Mr. Zhou Xuzhou, a proposed Director, is interested in 1,173,120,000 Shares as at the Latest Practicable Date (please see sub-paragraph (b) below). Save for Mr. Zhou, no other Director or proposed Director owns, holds or controls any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

(b) Interests and short positions of the substantial Shareholders in the Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall 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, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital:

Name of substantial Shareholders	Capacity	Total interests (Note 1)	Percentage of total issued Shares (%)
U-Home Group International Limited (Note 2)	Beneficial owner	840,000,000(L) 1,331,898,000(S) (Note 4)	51.22 81.21
U-Home Group Investment Limited (Note 3)	Beneficial owner	333,102,000(L) 800,000,000(S) (Note 4)	20.31 48.78
Yuhua Enterprises Company Limited (Note 3)	Interest in controlled corporation	333,102,000(L) 800,000,000(S) (Note 4)	20.31 48.78

Name of substantial Shareholders	Capacity	Total interests (Note 1)	Percentage of total issued Shares (%)
安徽宇華房地產開發有限公司 (Anhui Yuhua Real Estate Development Company Limited*) (Note 3)	Interest in controlled corporation	333,102,000(L) 800,000,000(S) (Note 4)	20.31 48.78
Yee Sheng Enterprises Company Limited (Note 3)	Interest in controlled corporation	333,102,000(L) 800,000,000(S) (Note 4)	20.31 48.78
Kambert Enterprises Limited (Note 3)	Interest in controlled corporation	333,102,000(L) 800,000,000(S) (Note 4)	20.31 48.78
U-Home Property (Group) Limited (Note 3)	Interest in controlled corporation	333,102,000(L) 800,000,000(S) (Note 4)	20.31 48.78
Shunda Investment Limited (Notes 2 and 3)	Interest in controlled corporation	1,173,102,000(L) 1,665,000,000(S) (Note 4)	71.53 101.52
Mr. Zhou Xuzhou (Notes 2 and 3)	Interest in controlled corporation	1,173,102,000(L) 1,665,000,000(S) (Note 4)	71.53 101.52

Notes:

- The letter “L” denotes the person’s long position in the Shares whereas the letter “S” denotes the person’s short position in the Shares.
- The Offeror is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.
- U-Home Group Investment Limited is wholly and beneficially owned by Yuhua Enterprises Company Limited. Yuhua Enterprises Company Limited is wholly and beneficially owned by Anhui Yuhua Real Estate Development Company Limited*. Anhui Yuhua Real Estate Development Company Limited* is wholly and beneficially owned

by Yee Sheng Enterprises Company Limited. Yee Sheng Enterprises Company Limited is wholly and beneficially owned by Kambert Enterprises Limited. Kambert Enterprises Limited is wholly and beneficially owned by U-Home Property (Group) Limited. U-Home Property (Group) Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

4. Share pledge agreements were executed by the Offeror and U-Home Group Investment Limited in favour of Haitong Securities respectively, pursuant to which all the Shares owned or to be acquired by the Offeror or U-Home Group Investment Limited under the Share Purchase Agreement or pursuant to the Offer were charged to Haitong Securities. A call option deed was also executed by the Offeror and Haitong Securities, pursuant to which the Offeror has granted an option to Haitong Securities that Haitong Securities shall have the right to purchase not exceeding the total of 25,000,000 Shares from the Offeror at the Offer Price per Share within two years from the expiry of seven business days after the close of the Offer.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as stated above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under Section 336 of the SFO, no other persons were recorded to hold any long or short positions in the shares or underlying shares or the equity derivatives of the Company.

6. INTEREST IN THE COMPANY AND THE OFFEROR

As at the Latest Practicable Date,

- (a) none of the Company nor the Directors was interested in or owned or controlled any shares, convertible securities, warrants options or derivatives of the Offeror;
- (b) save as disclosed in section 5 of this Appendix, none of the Offeror, its shareholder, its ultimate beneficial owners, its directors nor parties acting in concert with any of them was interested in or owned or controlled any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (c) there was no shareholding in the Company which the Offeror, its shareholder, its ultimate beneficial owners, or any party acting in concert with any of them has borrowed or lent;

- (d) there was no shareholding in the Company which the Company, its shareholders, its ultimate beneficial owners, or any Directors has borrowed or lent;
- (e) save for the arrangement of resignation contemplated thereunder as set out under the section headed “Proposed change of Board composition” in the “Letter from Haitong Securities” and in the “Letter from the Board” respectively of this Composite Document, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (f) save for the arrangement of resignation as mentioned under the Joint Announcement and as set out under the section headed “Proposed change of Board composition” in the “Letter from Haitong Securities” and in the “Letter from the Board” respectively of this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;
- (g) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (h) save for (i) the share pledge agreements executed by the Offeror and U-Home Group Investment Limited respectively in favour of the Haitong Securities, pursuant to which all the Shares owned or to be acquired by the Offeror and U-Home Group Investment Limited under the Share Purchase Agreement or pursuant to the Offer were charged to Haitong Securities to secure the Offeror’s obligations under the loan facility provided by Haitong Securities; and (ii) the call option deed executed by the Offeror and Haitong Securities, pursuant to which the Offeror has granted an option to Haitong Securities that Haitong Securities shall have the right to purchase not exceeding the total of 25,000,000 Shares from the Offeror at the Offer Price per Share within two years from the expiry of seven business days after the close of the Offer, none of the Offeror or any parties acting in concert with it has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person. Haitong Securities has not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period;

- (i) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers connected with the Company;
- (j) no Independent Shareholder prior to the posting of this Composite Document had irrevocably committed himself or herself or itself to accept or reject the Offer;
- (k) none of the advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (l) none of the Company or any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company;
- (m) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offer; and
- (n) all Shares to be acquired by the Offeror and its party acting in concert under the Offer will be financed by its internal resources and a loan facility provided by Haitong Securities. Haitong Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offer. A share pledge agreement was executed by each of the Offeror and U-Home Group Investment Limited in favour of Haitong Securities, pursuant to which all the Shares owned or to be acquired by the Offeror and U-Home Group Investment Limited under the Share Purchase Agreement or pursuant to the Offer were charged to Haitong Securities to secure the Offeror’s obligations under the facility provided. A call option deed was also executed by the Offeror and Haitong Securities on 1 March 2013, pursuant to which the Offeror has granted an option to Haitong Securities that Haitong Securities shall have the right to purchase not exceeding the total of 25,000,000 Shares from the Offeror at the Offer Price per Share within two years from the expiry of seven business days after the close of the Offer. Save and except the call option granted by the Offeror to Haitong Securities (which constitutes relevant securities in the Company under note 4(e) to Rule 22 of the Takeovers Code) as disclosed in this sub-paragraph (n), Haitong Securities does not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and Shares in the Company. Save as disclosed above, the Offeror has no intention to transfer, charge or pledge the Shares acquired in pursuance of the Offer to any other persons; and
- (o) no person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

7. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period,

- (a) save for the sale and purchase of the Sale Shares under the Share Purchase Agreement as disclosed in the “Letter from Haitong Securities” in this Composite Document, none of the Offeror, its shareholder, its ultimate beneficial owners, its directors nor parties acting in concert with the Offeror had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (b) none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (c) save as disclosed below, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; based on information provided by Mr. Lau Kin Tung, an executive Director, to the Company on 22 August 2013, the following dealings in Shares were carried out by Ms. Xia Tian, his spouse during the Relevant Period:

Date	Price per Share	Number of Shares bought	Number of Shares sold	Consideration involved
	(approximately HK\$) (Note 1)			(HK\$)
14 November 2012	0.335	150,000	—	50,430.64
16 November 2012	0.340	600,000	—	204,730.32
6 February 2013	0.480	—	840,000	401,755.74
20 February 2013	0.500	—	60,000	29,867.60
25 February 2013 (Note 2)	0.509	702,000	—	357,310.48
10 May 2013 (Note 3)	0.763	—	1,362,000	1,038,806.10

Notes:

1. Only the dealings made on 25 February 2013 and 10 May 2013 consist of multiple transactions and the price indicated in the table above in respect of the said dealings, i.e. HK\$0.509 and HK\$0.763, respectively, is the volumn weighted average price per Share.

2. There were 8 dealings made on 25 February 2013 and details of each of them are set out in the table below:

Price per Share (HK\$)	Number of Shares bought (‘000)
0.5	78
0.5	120
0.5	18
0.51	120
0.51	6
0.51	120
0.51	120
0.51	120

3. There were 9 dealings made on 10 May 2013 and details of each of them are set out in the table below:

Price per Share (HK\$)	Number of Shares sold (‘000)
0.71	120
0.78	360
0.74	120
0.75	120
0.78	42
0.78	300
0.77	120
0.77	60
0.77	120

4. Ms. Xia Tian, the spouse of Mr. Lau Kin Tung ceased to have any shareholding in the Company on 10 May 2013.

- (d) no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (e) none of the advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and
- (f) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

The Offeror confirms that as at the Latest Practicable Date,

- (i) the Offeror, its shareholders, its ultimate beneficial owner, and parties acting in concert with any of them did not receive any irrevocable commitment to accept the Offer;
- (ii) there was no outstanding derivative in respect of securities in the Company, which was entered by the Offeror, its shareholders, its ultimate beneficial owner or any person acting in concert with any of them;
- (iii) save for (a) the share pledge agreements executed by the Offeror and U-Home Group Investment Limited respectively in favour of the Haitong Securities, pursuant to which all the Shares owned or to be acquired by the Offeror and U-Home Group Investment Limited under the Share Purchase Agreement or pursuant to the Offer were charged to Haitong Securities to secure the Offeror's obligations under the loan facility provided by Haitong Securities; and (b) the call option deed executed by the Offeror and Haitong Securities, pursuant to which the Offeror has granted an option to Haitong Securities that Haitong Securities shall have the right to purchase not exceeding the total of 25,000,000 Shares from the Offeror at the Offer Price per Share within two years from the expiry of seven business days after the close of the Offer, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Offeror and the parties acting in concert with it;
- (iv) none of the Offeror, its shareholders, its ultimate beneficial owners and parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) save for the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, its shareholders, its ultimate beneficial owner and parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent.

8. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies (a) which (including continuous or fixed term contracts) were entered into or amended within six months preceding the commencement of the offer period, being 15 September 2012; (b) which were continuous contracts with a notice period of 12 months or more; or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung were the executive Directors, and Goldvault Limited and Sunny Enterprise Limited were wholly owned by the Lau's Family. Goldvault Limited is a party to the Disposal Agreement, the Release of Repurchase Obligation and the Release of TTA Guarantee and Sunny Enterprise Limited is a party to the Property Disposal Agreement, the Property Option Deed and the Management Agreement, the definitions and details of which are set out in the paragraph headed "Material contracts" in this Appendix.

In addition, as at the Latest Practicable Date, Jiwa Investment Limited was wholly owned by Mr. Lau Yau Bor and Madam Chan Hing Ming. Jiwa International Limited, a wholly-owned subsidiary of the Company, renewed three tenancy agreements, namely the Albany Tenancy Agreement, the Robinson Tenancy Agreement and the Lippo Tenancy Agreement (as defined in the CCT Announcement), on 17 September 2012 for two years commencing from 1 September 2012 to 31 August 2014 (both days inclusive) at an annual rental of HK\$1,272,000, HK\$888,000 and HK\$1,296,000, respectively. Jiwa Investment Limited is the landlord under the Albany Tenancy Agreement and the Robinson Tenancy Agreement and Mr. Lau Yau Bor is the landlord under the Lippo Tenancy Agreement. Further details of the continuing connected transactions aforesaid are set out in the announcement of the Company dated 17 September 2012 (the "CCT Announcement").

Save for Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung, (1) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date, and which

was significant in relation to the business of the Group taken as a whole; and (2) none of the Directors had since 31 March 2013, being the date to which the latest published audited financial statements of the Company were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

There was no material contract to which the Offeror is a party in which any Director has a material personal interest.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

10. MATERIAL CONTRACTS

The Company or any of its subsidiaries had, within the two years preceding the date of 15 September 2012 and up to and including the Latest Practicable Date, entered into the following contracts which was or might be material, other than contracts in the ordinary course of business carried on or intended to be carried on by the Group:

- (a) the Disposal Agreement entered into between Jiwa Development Company Limited, a wholly-owned subsidiary of the Company, and the Goldvault Limited on 12 March 2013 in relation to the disposal of the entire issued share capital of Jiwa Pharmaceutical Limited (“**JPL**”), which was an indirect wholly-owned subsidiary of the Company prior to the Disposal, together with its 49% direct equity interest in Kunming Jida Pharmaceutical Company Limited (“**KJP**”) and its four wholly owned subsidiaries established or incorporated in the PRC or Hong Kong, namely Wuxi Jida Pharmaceutical Company Limited, Kunming Jida Pharmaceutical Distribution Company Ltd, Yunnan Jida Biotech Limited (“**YJB**”) and Jida Pharm (HK) Trading Co., Limited (collectively the (“**KJP Group**”)), by the Company for a consideration of HK\$512,000,000;

- (b) the Management Agreement entered into between the Company and Sunny Enterprise Limited on 12 March 2013 for the provision of management services to the Group at an annual fee of HK\$2,640,000 and in aggregate HK\$5,280,000 over a period of 2 years;
- (c) the sale and purchase agreement entered into between Jiwa International Limited, a wholly-owned subsidiary of Jiwa Development Company Limited, and Sunny Enterprise Limited on 12 March 2013 in relation to the sale and purchase of the non-residential property located at the 2905, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong for a consideration of HK\$22,000,000 (the “**Property Disposal Agreement**”);
- (d) the deed entered into between Sunny Enterprise Limited and Tech-Medi Development Limited, a wholly-owned subsidiary of Jiwa Development Company Limited, on 12 March 2013 in relation to an option to require Sunny Enterprise Limited to purchase from Tech-Medi Development Limited a non-residential property located at 2906, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong for a purchase price of HK\$33,000,000 (the “**Property Option Deed**”);
- (e) the deed of release made among the Company, Goldvault Limited and YJB, a wholly-owned subsidiary of KJP, on 2 July 2013 pursuant to which the Company shall be released from all and any obligations under the guarantee agreement dated 23 July 2012 made by the Company in favour of YJB, which will be assumed by Goldvault Limited (the “**Release of TTA Guarantee**”);
- (f) (i) the novation deed entered into among the Company, Goldvault Limited and other shareholders of KJP on 28 June 2013 and (ii) the amended and restated shareholder’s agreement made among the Company, Goldvault Limited, JPL, Green Grove Investment Ltd., which holds 20% of KJP, Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming on 28 June 2013 in relation to, among others, the release of the obligation of the Company to repurchase in total 30% equity interest in KJP under the respective shareholders’ agreements, being, collectively, (i) the agreement dated 2 February 2011 entered into among the Company, JPL and Green Grove Investment Ltd.; and (ii) the agreement dated 5 March 2011 entered into among the Company, JPL, Panda BT Limited, 深圳市華雲投資有限公司 (Shenzhen Huayun Investment Company Limited*) and 昆明積眾企業管理諮詢有限公司 (Kunming Jizhong Management Consulting Company Limited*) (currently named as 昆明積眾企業管理股份有限公司 (Kunming Jizhong Management Co., Ltd.*) which holds 2% of KJP (the “**Release of Repurchase Obligation**”). Further details of the novation deed and such agreements are disclosed in the Circular;

- (g) the technology transfer agreement entered into between Base Affirm International Limited, a wholly-owned subsidiary of the Company, and YJB on 23 July 2012 in relation to the transfer of certain technology to a key pharmaceutical product from Base Affirm International Limited to YJB at an aggregate consideration of RMB111 million (equivalent to approximately HK\$135,400,000).

11. CONSENTS AND QUALIFICATIONS

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualifications
Somerley	a corporation licensed by the SFC for carrying out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Haitong Capital	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Haitong Securities	a corporation licensed to carry on type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO

Each of Somerley, Haitong Capital and Haitong Securities has given and has not withdrawn their respective written consents to the issue of this Composite Document with the inclusion herein of their respective letters, opinions or advice (as the case may be) and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Somerley, Haitong Capital nor Haitong Securities had any shareholding in any member of the Group or the right (whether legally enforceable or not) (save for the rights under the share pledge agreements executed by the Offeror and U-Home Group Investment Limited respectively in favour of Haitong Securities (as referred to in items (m) and (n) of paragraph 13 below) and the call option deed executed by the Offeror and Haitong Securities (as referred to in item (o) of paragraph 13 below)) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of Somerley, Haitong Capital nor Haitong Securities has any direct or indirect interests in any assets which have been, since ended 31 March 2013 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

12. GENERAL

As at the Latest Practicable Date:

- (a) The registered office of the Offeror is situated at Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI and the correspondence address of the Offeror is at 12/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The directors of the Offeror are Mr. Zhou Xuzhou (who is also the ultimate beneficial owner of the Offeror) and Ms. Zhou Wen Chuan and their respective correspondence address is at 12/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (b) The registered office of U-Home Group Investment Limited is situated at Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI and the correspondence address of U-Home Group Investment Limited is at 12/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The directors of U-Home Group Investment Limited are Mr. Zhou Xuzhou (who is also the ultimate beneficial owner of the Offeror) and Ms. Zhou Wen Chuan and their respective correspondence address is at 12/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (c) The registered office of Shunda Investment Limited is situated at Morgan & Morgan Building, Pasea Estate, Road Town, Tortola, BVI and the correspondence address of Shunda Investment Limited is at 12/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The sole director of Shunda Investment Limited is Mr. Zhou Xuzhou (who is also the ultimate beneficial owner of the Offeror) and his respective correspondence address is at 12/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (d) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is at Room 2904, Tower One, Lippo Centre, 89 Queensway,

Central, Hong Kong. The Board comprises executive Directors, Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung; and independent non-executive Directors, Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa.

- (e) The company secretary of the Company is Mr. Shek Man Fai, who is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (f) The registered office of Haitong Capital and Haitong Securities is situated at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (g) The registered office of Somerley is situated at 20th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong.
- (h) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance and Transfer shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from Friday, 30 August 2013, being the date of this Composite Document for so long as the Offer remains open for acceptance, at (i) the website of the SFC at <http://www.sfc.hk>; and (ii) the website of the Company at <http://www.jiwa.com.hk>, and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m., except for Saturdays, Sundays and public holidays) the principal place of business of the Company in Hong Kong at 2904, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual report of the Group for each of the two financial years ended 31 March 2013;
- (d) a copy of this Composite Document;
- (e) the letter dated 30 August 2013 from Haitong Securities as set out on pages 7 to 17 of this Composite Document;

- (f) the letter dated 30 August 2013 from the Board as set out on pages 18 to 24 of this Composite Document;
- (g) the letter dated 30 August 2013 from the Independent Board Committee to the Independent Shareholders as set out on pages 25 to 26 of this Composite Document;
- (h) the letter dated 30 August 2013 from Somerley to the Independent Board Committee as set out on pages 27 to 45 of this Composite Document;
- (i) the letter of consents referred to under the paragraph headed “Consents and qualifications” in this Appendix;
- (j) the material contracts referred to under the paragraph headed “Material contracts” in this Appendix;
- (k) the facility agreement dated 1 March 2013 (“**Facility Agreement**”) entered into between the Offeror as borrower and Haitong Securities as lender in relation to the grant of a facility of up to HK\$196,000,000 by Haitong Securities to the Offeror subject to the terms and conditions therein;
- (l) the supplemental agreement dated 11 March 2013 to the Facility Agreement entered into between the Offeror and Haitong Securities;
- (m) the share pledge agreement dated 4 March 2013 executed by the Offeror in favour of Haitong Securities pursuant to which all the Shares owned or to be acquired by the Offeror under the Share Purchase Agreement or pursuant to the Offer were charged to Haitong Securities;
- (n) the share pledge agreement dated 20 August 2013 executed by U-Home Group Investment Limited in favour of Haitong Securities pursuant to which all the Shares owned or to be acquired by U-Home Group Investment Limited under the Share Purchase Agreement or pursuant to the Offer were charged to Haitong Securities; and
- (o) the call option deed dated 1 March 2013 executed by the Offeror and Haitong Securities, pursuant to which the Offeror has granted an option to Haitong Securities that Haitong Securities shall have the right to purchase not exceeding the total of 25,000,000 Shares from the Offeror at the Offer Price per Share within two years from the expiry of seven business days after the close of the Offer.