
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Capitalised term used on this cover page have the same meanings as those defined in the section headed “Definitions” in this offer Document.

If you are in any doubt as to any aspect of this Offer Document or the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this Offer Document, together with the accompanying form of proxy and Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This Offer Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offer Document and the accompanying forms, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offer Document and the accompanying forms.



石四藥集團有限公司 SSY Group Limited

(formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd. 利君國際醫藥(控股)有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

CONDITIONAL CASH OFFER BY BNP PARIBAS SECURITIES (ASIA) LIMITED ON BEHALF OF SSY GROUP LIMITED TO BUY-BACK UP TO 150,000,000 SHARES FOR HK\$3.30 IN CASH PER SHARE AND APPLICATION FOR WHITEWASH WAIVER

Financial Adviser



BNP PARIBAS

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



川盟融資有限公司

Chanceton Capital Partners Limited

A letter from the Board is set out on pages 7 to 14 of this Offer Document. A letter from BNPP Securities containing, among other things, the details of the terms of the Offer is set out on pages 15 to 22 of this Offer Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendations in respect of the Offer and the Whitewash Waiver is set out on pages 23 to 24 of this Offer Document. A letter from Chanceton containing its advice to the Independent Board Committee in respect of the Offer and the Whitewash Waiver is set out on pages 25 to 49 of this Offer Document.

Custodians, nominees and trustees who would, or otherwise intend to, forward this Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read carefully the paragraphs headed “Overseas Shareholders” in the letter from BNPP Securities and in Appendix I to this Offer Document.

A notice convening the EGM to be held at Rooms 4902-03, 49/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 11:30 a.m. on Monday, 17 August 2015 is set out on pages EGM-1 to EGM-2 of this Offer Document. A form of proxy for use at the EGM is enclosed herein. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as practicable but, in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Such form of proxy for use at the EGM is also published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ssygroup.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or at any adjourned meeting (as the case may be) in person should you so wish.

31 July 2015

CONTENTS

	<i>Page</i>
Expected timetable	1
Definitions	2
Letter from the Board	7
Letter from BNPP Securities	15
Letter from the Independent Board Committee	23
Letter from Chanceton	25
Appendix I — Terms of the Offer	I-1
Appendix II — Financial information of the Group	II-1
Appendix III — Unaudited pro forma financial information of the Group	III-1
Appendix IV — Property valuation report	IV-1
Appendix V — General information	V-1
Notice of the EGM	EGM-1
 Accompanying documents	
— Form of Acceptance	
— Form of proxy for the EGM	

EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be announced by the Company.

Offer Period begins	Thursday, 2 July 2015
Despatch of this Offer Document and notice of the EGM	Friday, 31 July 2015
Latest time to lodge form of proxy for the EGM	11:30 am on Saturday, 15 August 2015
EGM	11:30 am on Monday, 17 August 2015
Announcement of the results of the EGM and whether the Offer has become unconditional	Monday, 17 August 2015
Latest time for lodging the Form of Acceptance and latest time for determining Shareholders' entitlement to participate in the Offer based on the records of the Register (<i>Notes 1 and 2</i>)	4:00 p.m. on Monday, 31 August 2015
Closing date of the Offer	Monday, 31 August 2015
Record Date	Monday, 31 August 2015
Announcement of the results of the Offer to be posted on the Stock Exchange's website	7:00 p.m. on Monday, 31 August 2015
Despatch of cheques to the Accepting Shareholders and, if applicable, return of Share certificates for partly unsuccessful Excess Tenders to be made (<i>Note 3</i>)	Thursday, 10 September 2015

Notes:

1. Dealings in the Shares after 27 August 2015 will not be settled under the rules of the Stock Exchange prior to the Record Date.
2. The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. Assuming that the resolution relating to the Offer and the Whitewash Waiver will also be approved by the Independent Shareholders and the Offer becomes unconditional on Monday, 17 August 2015, being the date of the EGM, the Offer will remain open for acceptance for a period of 14 days thereafter and will not be extended.
3. In order to accept the Offer, Qualifying Shareholders are required to submit to the Registrar the duly completed Form of Acceptance in accordance with the instructions as set out in this Offer Document and on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer) on or before 4:00 p.m. on Monday, 31 August 2015.
4. Remittance for the total amounts due to Accepting Shareholders under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the Shares bought-back from such Accepting Shareholders) will be made by the Company within 7 Business Days after the close of the Offer.

All references to date and time contained in this Offer Document refer to Hong Kong time and dates.

DEFINITIONS

In this Offer Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“Accepting Shareholder(s)”	Qualifying Shareholder(s) accepting the Offer;
“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“Announcement”	the announcement of the Company dated 2 July 2015 in relation to the Offer and the application for the Whitewash Waiver;
“Assured Entitlement(s)”	the minimum number of Shares which will be bought-back pursuant to the Offer from each Qualifying Shareholder, taking into account the number of Shares that CPCL has undertaken not to tender, being approximately 143 Shares for each board lot of 2,000 Shares (rounded down to the nearest whole number of Shares) tendered by the relevant Qualifying Shareholder for acceptance of the Offer at the Offer Price;
“BNPP Securities”	BNP Paribas Securities (Asia) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO and the financial adviser to the Company in respect of the Offer;
“Board”	the board of Directors of the Company;
“Borrower”	New Orient Investments Pharmaceutical Holdings (Hong Kong) Limited, a Samoa incorporated wholly-owned subsidiary of the Company;
“Business Day”	a day on which the Stock Exchange is open for transaction of business;
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Chanceton”	Chanceton Capital Partners Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver;
“Codes”	the Takeovers Code and the Share Buy-backs Code;

DEFINITIONS

“Company”	SSY Group Limited 石四藥集團有限公司 (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd. 利君國際醫藥(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“Conditions”	the conditions as set out under the section headed “Conditions of the Offer” in the letter from BNPP Securities in this Offer Document to which the Offer is subject;
“CPCL”	China Pharmaceutical Company Limited, a company incorporated in Samoa, the share capital of which is held as to 72.93% by Mr. Qu, and as to 27.07% by 39 other shareholders, which has irrevocably undertaken to the Company not to accept the Offer in respect of any of the Shares held by it;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened at Rooms 4902-03, 49/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 17 August 2015 at 11:30 a.m. (or at any adjourned meeting thereof) to consider and, if thought fit, approve the ordinary resolution in connection with the Offer and the Whitewash Waiver;
“Excess Tenders”	Shares tendered for acceptance of the Offer by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement;
“Excluded Shareholder(s)”	any Overseas Shareholders whose address, as shown on the Register as at the Latest Practicable Date, were located outside Hong Kong and in a jurisdiction the laws of which may prohibit the making of the Offer to such Overseas Shareholder or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Shareholders involved in that jurisdiction and their shareholdings in the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;

DEFINITIONS

“Facility”	a three year term loan facility of up to HK\$700,000,000 granted to the Borrower and guaranteed by the Company upon and subject to the terms and conditions of the facility agreement entered into between the Borrower and BNP Paribas (being the parent company of BNPP Securities), acting through its Hong Kong Branch, as the mandated lead arranger and bookrunner and facility agent on 2 July 2015. The Facility comprises two tranches: (i) first tranche being HK\$495,000,000 to be used and applied for satisfying the Company’s cash payment obligations in connection with and for the sole purpose of the Offer; and (ii) second tranche being HK\$205,000,000 for the purpose of general corporate funding requirements;
“Form of Acceptance”	the form of acceptance issued together with this Offer Document to the Qualifying Shareholders for use by such persons in connection with the Offer;
“Group”	the Company and its subsidiaries from time to time;
“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”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in connection with the Offer and the Whitewash Waiver;
“Independent Shareholders”	Shareholders other than (i) CPCL, Mr. Qu, BNPP Securities and parties acting in concert with any of them (and any other persons who may be required to abstain from voting in accordance with the Codes); or (ii) Shareholders who are involved in or interested in the Offer and/or the Whitewash Waiver or have material interests in the Offer which is different from the interests of all other Shareholders;
“Independent Professional Valuer” or “JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer appointed by the Company;
“Last Trading Day”	23 June 2015, being the last trading day of the Shares prior to the publication of the Announcement;
“Latest Acceptance Time”	the latest time for receipt by the Registrar of the Form of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on Monday, 31 August 2015, or such later date as the Company may announce in accordance with the requirements of the Codes;

DEFINITIONS

“Latest Practicable Date”	28 July 2015, being the latest practicable date for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maximum Number”	the maximum number of Shares to be bought-back pursuant to the Offer, being an aggregate of 150,000,000 Shares (representing approximately 5.05% of all issued Shares as at the Latest Practicable Date);
“Mr. Qu”	Mr. Qu Jiguang, the chairman and executive Director of the Company;
“Offer”	a conditional cash offer made by BNPP Securities on behalf of the Company to buy-back Shares at the Offer Price from all Qualifying Shareholders, subject to the Maximum Number;
“Offer Document”	this document which contains, amongst other things, the terms of the Offer and the notice of the EGM together with the form of proxy for voting at the EGM and, for the Qualifying Shareholders only, the Form of Acceptance;
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from the date of the Announcement, being 2 July 2015 until the Latest Acceptance Time;
“Offer Price”	HK\$3.30 per Share, being the buy-back price at which the Offer is made;
“Overseas Shareholder(s)”	Shareholder(s), whose addresses, as shown in the Register, are outside Hong Kong;
“PRC”	the People’s Republic of China;
“Qualifying Shareholder(s)”	Shareholders, other than the (i) Excluded Shareholder(s) (if any); and (ii) CPCL, Mr Qu and parties acting in concert with any of them;
“Record Date”	the record date for the Offer which will be the 14th day after the EGM, i.e. Monday, 31 August 2015;
“Register”	the register of members of the Company;
“Registrar”	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar and transfer office of the Company, whose address is situated at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong;

DEFINITIONS

“Relevant Period”	the period from 3 January 2015, being the date falling on the six months before the date of the Announcement, up to and including the Latest Practicable Date;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.02 in the share capital of the Company;
“Share Buy-backs Code”	the Code on Share Buy-backs;
“Shareholder(s)”	registered holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Takeovers Code;
“Takeovers Code”	the Code on Takeovers and Mergers;
“Title Documents”	the relevant Share certificate(s), transfer receipt(s) and/or other document(s) of title with respect to ownership of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof);
“Whitewash Waiver”	a waiver to be granted by the Executive in respect of the obligation of Mr. Qu and CPCL to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code for all the Shares not held by it (or them), which may otherwise arise as a result of the completion of the Offer; and
“%”	per cent.

LETTER FROM THE BOARD



石四藥集團有限公司 SSY Group Limited

(formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd. 利君國際醫藥(控股)有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

Executive Directors:

Mr. Qu Jiguang (*Chairman*)

Mr. Wang Xianjun

Mr. Su Xuejun

Independent Non-executive Directors:

Mr. Wang Yibing

Mr. Leung Chong Shun

Mr. Chow Kwok Wai

Registered Office:

Cricket Square

Hutchins Drive, P.O. Box 2681 GT

Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of

Business in Hong Kong:

Rooms 4902-03, 49th Floor,

Central Plaza,

18 Harbour Road, Wanchai

Hong Kong

31 July 2015

To the Shareholders,

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
BNP PARIBAS SECURITIES (ASIA) LIMITED
ON BEHALF OF
SSY GROUP LIMITED
TO BUY-BACK UP TO 150,000,000 SHARES
FOR HK\$3.30 IN CASH PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 2 July 2015, the Board announced that the Offer would be made by BNPP Securities on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 150,000,000 Shares, representing approximately 5.05% of the existing issued share capital of the Company as at the Latest Practicable Date, at the price of HK\$3.30 per Share.

The purpose of this Offer Document is to provide you with, among other things, (i) information relating to the Offer and the Whitewash Waiver; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent

LETTER FROM THE BOARD

Shareholders in respect of the Offer and the Whitewash Waiver; (iii) a letter from Chanceton containing its advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; and (iv) a notice of the EGM.

The Form of Acceptance accompanying this Offer Document is for use only by Qualifying Shareholders who wish to accept the Offer.

THE OFFER

The Shares to be bought-back for cancellation by BNPP Securities on behalf of the Company at the price of HK\$3.30 per Share will not exceed the Maximum Number, being 150,000,000 Shares, representing approximately 5.05% of the existing issued share capital of the Company as at the Latest Practicable Date.

Shares tendered for acceptances of the Offer will be bought-back to the fullest extent of the Accepting Shareholders' Assured Entitlements. The Offer is not conditional on any minimum number of Shares being tendered for acceptance or any minimum number of Shares to be bought-back under the Offer.

CONDITIONS OF THE OFFER

The Offer is subject to all of the Conditions being fulfilled in full. The Offer will be conditional upon (i) approval of the Offer and the Whitewash Waiver by the Independent Shareholders voting by way of poll at the EGM, and (ii) the Whitewash Waiver being granted by the Executive and such waiver not being revoked, which would be subject to the approval by the Independent Shareholders taken by way of poll at the EGM. The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. **If the Whitewash Waiver is not granted by the Executive, or if the resolution relating to the Offer or the Whitewash Waiver is not approved by the Independent Shareholders by way of poll, the Offer will not proceed and will immediately lapse.** Please also refer to the section headed "Conditions of the Offer" in the letter from BNPP Securities, as set out on pages 15 to 22 of this Offer Document.

As at the Latest Practicable Date, the Conditions had not yet been fulfilled.

THE OFFER PRICE

The Offer Price represents:

- i. a premium of approximately 46.67% over the closing price of the Shares approximately HK\$2.25 as quoted on the Stock Exchange as at the Latest Practicable Date;
- ii. a premium of approximately 17.02% to the closing price of Shares of HK\$2.82 as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- iii. a premium of approximately 17.69% over the average closing price of HK\$2.804, being the average closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days preceding and including the Last Trading Day;
- iv. a premium of approximately 14.08% over the average closing price of HK\$2.893, being the average closing price of the Shares as quoted on the Stock Exchange for the last 30 trading days preceding and including the Last Trading Day;
- v. a premium of approximately 200.00% to the Group's net asset value per Share of HK\$1.10 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014; and
- vi. a premium of approximately 194.64% to the Group's net asset value per Share of HK\$1.12 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014 being adjusted by the upward valuation from the valuation report as set out in Appendix IV of this Offer Document.

The Offer Price of HK\$3.30 per Share values the entire existing issued share capital of the Company as at the Latest Practicable Date at approximately HK\$9,796.14 million.

Under the law of the Cayman Islands, repurchases by the Company may only be made out of the funds of the Company which are legally available for such purpose or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the statutory test of solvency, out of capital. The premium, if any, payable on the repurchase, shall be provided for out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the statutory test of solvency, out of capital. The Directors are of the opinion that, in the event that the maximum amount of the consideration is payable upon full acceptance and completion of the Offer, there would not be any material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Offer will be made in full compliance with the Codes. The consideration for the Offer, being approximately HK\$495 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group and the Facility. BNPP Securities is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

WHITEWASH WAIVER

CPCL, Mr. Qu and parties acting in concert with any of them were interested in 880,102,000 Shares, representing approximately 29.65% of the entire issued share capital of the Company as at the Latest Practicable Date.

Since CPCL and Mr. Qu have irrevocably undertaken to the Company that they will not tender any of their holdings in Shares pursuant to the Offer, as a result, the interests of CPCL, Mr. Qu and parties acting in concert with any of them, in the issued share capital of the Company may increase to a maximum level of approximately 31.23%, depending on the level of acceptance received from the Qualifying Shareholders pursuant to the Offer.

Pursuant to Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a shareholder's proportionate interest in the voting rights of the Company increases, such increase in shareholding interests will be treated as an

LETTER FROM THE BOARD

acquisition of voting rights for the purpose of the Takeovers Code and such increase may well enlarge the shareholding of CPCL, Mr. Qu and parties acting in concert with any of them, in the Company to 30% or beyond upon completion of the Offer, the Whitewash Waiver had been applied with the Executive to dispense with an obligation under Rule 26 of the Takeovers Code on the part of Mr. Qu and CPCL to make a separate mandatory general offer for all the Shares not held by it (or them) upon completion of the Offer.

The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if it is not granted by the Executive, the Offer will immediately lapse.**

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's shareholding structure as at the Latest Practicable Date and the shareholding structure assuming that the Qualifying Shareholders will accept the Offer in full (taking into account that CPCL and Mr. Qu have irrevocably undertaken not to accept the Offer), and assuming that no additional Shares will be issued from the Latest Practicable Date up to and including completion of the Offer:

Shareholders	Existing Shareholding		Shareholding upon completion of the Offer	
	No. of Shares	Approximate %	No of Shares	Approximate %
CPCL (Note 1)	722,510,000	24.34	722,510,000	25.64
Mr. Qu	157,592,000	5.31	157,592,000	5.59
Sub-total of CPCL and its concert parties	880,102,000	29.65	880,102,000	31.23
Public (Note 2)	2,088,425,385	70.35	1,938,425,385	68.77
Total	2,968,527,385	100.00	2,818,527,385	100.00

Notes:

1. CPCL is held as to 72.93% by Mr. Qu and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu is deemed to be interested in the Shares held by CPCL.
2. Such Shares include 2,000 Shares held by BNPP Securities and parties acting in concert with it (save for those members of the group of companies of BNPP Securities that are conducting exempt principal trader activities or exempt fund manager activities).

CPCL and Mr. Qu will become the controlling shareholders of the Company (as such term as defined under the Listing Rules) if their holding in Shares crosses 30% upon completion of the Offer. The Company expects the current constitution of the Board and the business and operation of the Group will not be changed as a result of the Offer.

LETTER FROM THE BOARD

As disclosed above, under the present terms and upon completion of the Offer, the percentage of Shares that would remain in public hands (as defined under the Listing Rules) is expected to conform with and exceed the relevant minimum public float requirement under the Listing Rules. In any event, the Directors will ensure that a sufficient public float exists for the Shares and maintain the listing of the Shares on the Stock Exchange irrespective of the completion of the Offer under its present terms or any revision thereof.

REASONS FOR THE OFFER

The Directors believe that the Offer provides an opportunity for the Shareholders either to realize their Shares at a premium to the recent decrease in market price or to increase their proportionate shareholding in the Company by retaining their holdings and participating in the future prospects of the Group with enhanced value per Share.

FINANCIAL EFFECTS OF THE OFFER

The unaudited pro forma consolidated financial information of the Group upon completion of the Offer illustrating the financial impact of the Offer on the net assets per Share and basic earnings per Share of the Group is set out in Appendix III of this Offer Document.

(i) Net assets per Share

Based on the unaudited pro forma consolidated financial information of the Group set out in Appendix III of this Offer Document and assuming that full acceptance of the Offer had been completed on 31 December 2014 and the Maximum Number had been bought-back, the net assets per Share as at 31 December 2014 would, as a result, have decreased by approximately 10.9% from approximately HK\$1.10 per Share to approximately HK\$0.98 per Share.

(ii) Basic earnings per Share

Based on the unaudited pro forma consolidated financial information of the Group set out in Appendix III of this Offer Document and assuming that full acceptance of the Offer had been completed on 1 January 2014 and the Maximum Number had been bought-back, the basic earnings per Share for the year ended 31 December 2014 would, as a result, have increased by approximately 1.20% from approximately HK\$0.1669 per Share to approximately HK\$0.1689 per Share.

(iii) Liabilities

The Offer will be paid in cash and funded by internal resources of the Group and the Facility. The liabilities as at 31 December 2014 would increase by approximately 45.3% from approximately HK\$1,544.4 million to approximately HK\$2,244.4 million. The Company expects to repay such increased liabilities by internal resources as they fall due in the future.

LETTER FROM THE BOARD

(iv) Working capital

The working capital (expressed as net current assets) as at 31 December 2014 would increase by approximately 33.7% from approximately HK\$532.7 million to approximately HK\$712.0 million (assuming HK\$700 million cash inflow drawdown of long-term loan less HK\$495 million cash used for settlement of the full acceptance of the Offer and the estimated expenses of approximately HK\$25.7 million directly attributable to the Offer). The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the full acceptance of the Offer.

Based on the above and having considered the manner of funding of the consideration for the Offer, the Company considers that completion of the Offer will have no material adverse effect on the Group's net assets per Share, basic earnings per Share or working capital.

INFORMATION ABOUT THE GROUP

The principal business activity of the Company is research, development, manufacture and sale of a wide range of pharmaceutical products mainly intravenous infusion solution.

Revenue of the Group from continuing operations for the year ended 31 December 2014 was HK\$2,091,471,000 representing an approximately 21.37% increase as compared to that of the year 2013 which mainly attributed to the increasing demand in the high quality intravenous infusion solution products in the PRC in year 2014. The Group recorded a net profit attributable to the equity holders of the Company of HK\$602,929,000 for the year ended 31 December 2014 versus a net profit attributable to the equity holders of the Company of HK\$411,814,000 as recorded for the year 2013. Earnings per Share for the year 2014 was HK\$0.1669 versus earnings per Share of HK\$0.1261 as recorded in the year 2013. As at 31 December 2014, the Group's net asset value per Share was HK\$1.10.

FUTURE INTENTIONS OF THE GROUP

CPCL is the substantial shareholder of, and Mr. Qu is the Chairman and Chief Executive Officer of the Group. Completion of the Offer will not result in a change of CPCL, Mr. Qu and parties acting in concert with any of them being collectively the single largest Shareholder or the composition of the Board. Mr. Qu and parties acting in concert with him intend to continue with the existing businesses of the Group and do not intend to introduce any major changes to the businesses of the Group. They also intend that the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of the Offer.

Mr. Qu and CPCL have informed the Company that their respective undertakings, and the procurement of the holders of Shares in which they are interested, not to accept the Offer is consistent with their belief in, and commitment to, the Company and its businesses. Mr. Qu and parties acting in concert with him have also informed the Company that it is his intention and the intention of parties acting in concert with them that, following completion of the Offer, the business, management and the Board of the Company will

LETTER FROM THE BOARD

remain unchanged. It is also their intention to maintain the Company's listing on the Stock Exchange and not to privatize the Company by availing themselves of any powers of compulsory acquisition which may be available to it under the applicable laws in Cayman Islands. It is also the intention of the Company (i) not to rely upon sections 705, 711 to 716 and 718 to 721 of the Companies Ordinance (Cap 622) or any comparable provision of applicable company law in Cayman Islands; and (ii) to continue to meet the public float requirements of Rule 8.08 of the Listing Rules.

Further, as disclosed in the annual report for the year ended 31 December 2014 of Company, with enormous opportunities and challenges (such as adjustment of product pricing in situations where competition is intense during tender processes) in the pharmaceutical industry in the PRC, the Group believes that it is on the right track to capitalise on such opportunities to achieve new breakthroughs. The Group will focus on securing tenders in new markets and endeavour to excel in the marketing of our strategic products. The Group will try to improve its operating efficiency from costs and expenses perspective while ensuring the product quality. To such end, the Group has been proactively identifying and exploring potential targets and opportunities for acquisitions and mergers in the pharmaceutical industry but no agreement had been reached as at the Latest Practicable Date.

EXTRAORDINARY GENERAL MEETING

The Offer will be conditional upon the passing of an ordinary resolution by way of poll to approve the Offer and the Whitewash Waiver by the Independent Shareholders, either voting in person or by proxy, at the EGM.

(i) CPCL, Mr. Qu, BNPP Securities and parties acting in concert with any of them (and any other persons who may be required to abstain from voting in accordance with the Codes) or (ii) Shareholders who are involved in or interested in the Offer and/or the Whitewash Waiver or have material interests in the Offer which is different from the interests of all other Shareholders, will abstain from voting at the EGM on the resolution approving the Offer and the Whitewash Waiver. As at the Latest Practicable Date, BNPP Securities and parties acting in concert with it (save for those members of the group of companies of BNPP Securities that are conducting exempt principal trader activities or exempt fund manager activities) were interested in 2,000 Shares, and will therefore abstain from voting at the EGM on the resolution approving the Offer and the Whitewash Waiver as mentioned above.

The EGM will be convened at Rooms 4902-03, 49/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 11:30 a.m. on Monday, 17 August 2015 to consider and, if thought fit, approve the resolution in connection with the Offer and the Whitewash Waiver.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this Offer Document and a form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, not later than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Such form of proxy for use at the EGM is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ssygroup.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or at any adjourned meeting (as the case may be) in person should you so wish.

LETTER FROM THE BOARD

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer or the Whitewash Waiver, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver. Chanceton has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, whether they are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting.

Independent Shareholders should note that their decision on how to vote on the resolution to be proposed at the EGM to approve the Offer and the Whitewash Waiver shall not affect their decision on whether to accept the Offer or not. Even if they vote in favour of or against the resolution to be proposed at the EGM, they are free nonetheless to accept or not to accept the Offer.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 23 to 24 of this Offer Document and to the letter of advice from Chanceton which contains, among other things, their advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from Chanceton is set out on pages 25 to 49 of this Offer Document.

Your attention is also drawn to the terms of the Offer set out in Appendix I of this Offer Document, and the general information set out in Appendix V of this Offer Document.

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled in full and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult with their professional advisers when in doubt.

Yours faithfully,
For and on behalf of the Board of
SSY GROUP LIMITED
Qu Jiguang
Chairman

LETTER FROM BNPP SECURITIES



BNP PARIBAS

31 July 2015

To the Shareholders,

Dear Sirs or Madams,

**CONDITIONAL CASH OFFER BY
BNP PARIBAS SECURITIES (ASIA) LIMITED
ON BEHALF OF
SSY GROUP LIMITED
TO BUY-BACK UP TO 150,000,000 SHARES
AT HK\$3.30 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 2 July 2015, the Board announced that a conditional cash offer would be made by BNPP Securities on behalf of the Company in compliance with the Share Buy-backs Code, subject to fulfilment of the Conditions, to buy-back for cancellation up to 150,000,000 Shares, representing approximately 5.05% of the entire issued share capital of the Company as at the Latest Practicable Date. The Qualifying Shareholders may accept the Offer by lodging the Form of Acceptance for the sale of their Shares to the Company at the Offer Price of HK\$3.30 per Share.

The Shares to be bought-back by the Company will not exceed 150,000,000 Shares. There is no minimum number of Shares proposed to be bought-back under the Offer. This letter sets out the details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

THE OFFER

The Offer is being made by BNPP Securities on behalf of the Company subject to fulfilment of the Conditions to buy-back the Shares on the following basis up to the Maximum Number:

For every Share HK\$3.30 in cash

Assured Entitlement for each board lot of every 2,000 Shares held 143 Shares (*Note*)

Note: This number of Shares is based on CPCL and Mr. Qu indicating that they will not accept the Offer.

All Qualifying Shareholders are entitled to accept the Offer by submitting Form of Acceptance for the sale of any number of their Shares to the Company on the basis of which is set out under the section headed "Assured Entitlements and Excess Tenders" below.

LETTER FROM BNPP SECURITIES

The salient terms of the Offer are as follows:

- (a) BNPP Securities will make the Offer to the Shareholders on behalf of the Company to buy-back Shares, depending on the number of Shares relating to acceptance by Qualifying Shareholders, up to the Maximum Number at the Offer Price;
- (b) Qualifying Shareholders may accept the Offer in respect of their holdings in Shares at the Offer Price up to their entire holdings (subject to the procedures for the scale down of Excess Tenders described below);
- (c) Shares stated in acceptances of the Offer will be bought-back to the fullest extent of the Accepting Shareholders' Assured Entitlement. No minimum number of acceptances will be set for individual acceptances or the number of Shares to be bought-back under the Offer;
- (d) Excess Tenders will be accepted, on a pro rata basis to the extent that the aggregate number of Shares bought-back pursuant to the Offer will not thereby exceed the Maximum Number;
- (e) Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional;
- (f) Shares will be bought-back in cash, free of commissions, levies and dealing charges, save that the amount of stamp duty due on Shares bought-back payable by the seller will be deducted from the amount payable to the Accepting Shareholders, and will be paid by the Company on behalf of the Accepting Shareholders; and
- (g) Shares bought-back (i) will be treated as cancelled and will not rank for purpose of any dividends declared pursuant to any record date set subsequent to the date of their cancellation; and (ii) will not be transferred, charged or pledged to any other persons.

Under the Share Buy-backs Code and the articles of association of the Company, the Offer will need to be approved by the Independent Shareholders in general meeting by a majority of votes by way of poll and will also be subject to the Conditions as referred to in the section headed "Conditions of the Offer" below.

As at the Latest Practicable Date, save for the 2,968,527,385 Shares in issue, neither the Company nor parties acting in concert with it held, owned, controlled or had direction over any other Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, or has entered into any outstanding derivatives in respect of securities in the Company. CPCL and Mr. Qu together with parties acting in concert with any of them are interested in 880,102,000 Shares, representing approximately 29.65% of the existing issued share capital of the Company as at the Latest Practicable Date, and did not hold, own, control or have direction over any other Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, nor have they entered into any outstanding derivatives in respect of securities in the Company as at the Latest Practicable Date.

LETTER FROM BNPP SECURITIES

THE OFFER PRICE

The Offer Price represents:

- i. a premium of approximately 46.67% over the closing price of the Shares approximately HK\$2.25 as quoted on the Stock Exchange as at the Latest Practicable Date;
- ii. a premium of approximately 17.02% to the closing price of Shares of HK\$2.82 as quoted on the Stock Exchange on the Last Trading Day;
- iii. a premium of approximately 17.69% over the average closing price of HK\$2.804, being the average closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days preceding and including the Last Trading Day;
- iv. a premium of approximately 14.08% over the average closing price of HK\$2.893, being the average closing price of the Shares as quoted on the Stock Exchange for the last 30 trading days preceding and including the Last Trading Day;
- v. a premium of approximately 200.00% to the Group's net asset value per Share of HK\$1.10 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014; and
- vi. a premium of approximately 194.64% to the Group's net asset value per Share of HK\$1.12 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014 being adjusted by the upward valuation from the valuation report as set out in Appendix IV of this Offer Document.

The Offer Price of HK\$3.30 per Share values the entire existing issued share capital of the Company as at the Latest Practicable Date at approximately HK\$9,796.14 million. At the Offer Price of HK\$3.30 per Share, the Offer, if accepted in full, will result in the Company paying approximately HK\$495 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group and the Facility.

CONDITIONS OF THE OFFER

The Offer will be conditional upon fulfilment of all of the following events:

- (a) the passing of an ordinary resolution at the EGM approving the Offer and the Whitewash Waiver by a majority of votes cast by the Independent Shareholders attending in person or by proxy thereat by way of poll; and
- (b) the granting of the Whitewash Waiver by the Executive and such waiver not being revoked.

The Offer is not conditional as to any minimum number of acceptances.

None of the Conditions can be waived. The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the

LETTER FROM BNPP SECURITIES

Offer. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will immediately lapse.**

(i) CPCL, Mr. Qu, BNPP Securities and parties acting in concert with any of them (and any other persons who may be required to abstain from voting in accordance with the Codes) or (ii) Shareholders who are involved in or interested in the Offer and/or the Whitewash Waiver or have material interests in the Offer which is different from the interests of all other Shareholders, will abstain from voting at the EGM on the resolution to approve the Offer and the Whitewash Waiver. As at the Latest Practicable Date, BNPP Securities and parties acting in concert with it (save for those members of the group of companies of BNPP Securities that are conducting exempt principal trader activities or exempt fund manager activities) were interested in 2,000 Shares, and will therefore abstain from voting at the EGM on the resolution approving the Offer and the Whitewash Waiver as mentioned above.

Tenders duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code. All Shares bought-back under the Offer will be cancelled.

Shares will be bought-back free of commissions and dealing charges, but seller's ad valorem stamp duty payable by the Qualifying Shareholders who accept the Offer and calculated at a rate of HK\$1.00 for every HK\$1,000 or part thereof of the market value of the Shares to be bought-back under the Offer or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted from the amount payable to the relevant Qualifying Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Qualifying Shareholders.

Acceptance of the Offer by any Shareholder will, subject to the Offer becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled. All Shares bought-back under the Offer will be cancelled.

ASSURED ENTITLEMENTS AND EXCESS TENDERS

The Maximum Number open for tender and buy-back pursuant to the Offer represents approximately 5.05% of the entire issued share capital of the Company as at the Latest Practicable Date.

Since CPCL and Mr. Qu have irrevocably undertaken to the Company that they will not accept the Offer in respect of any of their holdings in Shares (i.e. 880,102,000 Shares, representing approximately 29.65% of the entire issued share capital of the Company), the Maximum Number also represents approximately 7.18% of the entire issued share capital of the Company excluding the Shares held by CPCL and Mr. Qu as at the Latest Practicable Date. In other words, the Assured Entitlement of the Qualifying Shareholders

LETTER FROM BNPP SECURITIES

(other than CPCL and Mr. Qu) will be enhanced on a pro-rata basis by the number of Shares CPCL and Mr. Qu undertake not to tender. Accordingly, the minimum number of Shares which will be assured to be bought-back pursuant to the Offer from each Qualifying Shareholder, shall be approximately 143 Shares for each board lot of 2,000 Shares (rounded down to the nearest whole number of Shares).

Accepting Shareholders may tender Shares in excess of their Assured Entitlement if certain Qualifying Shareholders do not tender their Shares or tender fewer Shares than allowed by their Assured Entitlement.

If Accepting Shareholders in aggregate tender Shares for acceptance under the Offer exceeds the Maximum Number, the number of Shares tendered by each Accepting Shareholder over and above his Assured Entitlement (the Excess Tenders) will be scaled down on a pro rata basis, based on the total number of Excess Tenders and calculated in accordance with the following formula (save that the Company may, in its absolute discretion, round such figure down with the intention of avoiding, as far as practicable, Shares being held by Shareholders in odd lots or fractional entitlements):

$$\frac{(150,000,000-A) \times C}{B}$$

- A = Total number of Shares in respect of which the Offer is validly accepted by all Accepting Shareholders and which form either all or part of their respective Assured Entitlement (as the case may be)
- B = Total number of Shares in respect of which the Offer is validly accepted by the Accepting Shareholders in excess of their respective Assured Entitlement
- C = Number of Shares in respect of which the Offer is validly accepted by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement

The total number of Shares which will be bought-back by the Company will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances of the Offer in excess of Assured Entitlement and as to the treatment of fractions will be conclusive and binding on all Shareholders.

As at the Latest Practicable Date, apart from the irrevocable undertaking by CPCL and Mr. Qu that they will not, and will procure that the holders of Shares in which they are interested will not, accept the Offer, neither the Company nor parties acting in concert with it has been notified of any irrevocable commitment to accept or not to accept the Offer.

OVERSEAS SHAREHOLDERS

As at the Latest Practicable Date, there were no Qualifying Shareholders with registered addresses outside Hong Kong. Accordingly, there are no Excluded Shareholders.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or

LETTER FROM BNPP SECURITIES

legal requirements. Any acceptance of the Offer by any Shareholder shall be deemed to constitute a representation and warranty from such Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE

If the Offer is declared unconditional, all Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter. The Company will not extend the final closing date to a day beyond the 14th day after the Offer is declared unconditional.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (which instructions form part of the terms of the Offer).

The duly completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**SSY Group Limited — Buy-back Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. on Monday, 31 August 2015, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce. No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.

Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional except as otherwise provided for under the Codes.

NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Qualifying Shareholders, those registered holders of the Shares who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer. Qualifying Shareholders with their Shares held by a nominee company may consider whether they would like to arrange registration of the relevant Shares in the names of the beneficial owners.

LETTER FROM BNPP SECURITIES

WHITEWASH WAIVER

As at the Latest Practicable Date, CPCL and its concerted parties (including Mr. Qu) were interested in 880,102,000 Shares, representing approximately 29.65% of the entire issued share capital of the Company.

Since CPCL and Mr. Qu have irrevocably undertaken to the Company that they will not tender any of their holdings in Shares pursuant to the Offer, as a result, the interest of CPCL, and parties acting in concert with it, in the issued share capital of the Company may increase to a maximum level of approximately 31.23%, depending on the level of acceptance received from the Qualifying Shareholders pursuant to the Offer.

Pursuant to Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code and such increase may well enlarge the shareholding of CPCL, Mr. Qu and parties acting in concert with it, in the Company to 30% or beyond upon completion of the Offer, the Whitewash Waiver had been applied with the Executive to dispense with an obligation under Rule 26 of the Takeovers Code on the part of Mr. Qu and CPCL to make a separate mandatory general offer for all the Shares not held by it (or them) upon completion of the Offer, subject to approval by Independent Shareholders at the EGM.

The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.**

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Form of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, BNPP Securities, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

ODD LOTS

The Shares are currently traded in board lots of 2,000 Shares each. There is no intention to change the board lot size as a result of the Offer. Qualifying Shareholders should note that acceptance of the Offer may result in their shareholding of odd lots of Shares. Matching services will be provided with details as set out in "Appendix I — Terms and Conditions — Paragraph 7. Odd Lots".

SETTLEMENT

Pursuant to Rule 20.1(b) of the Takeovers Code and given that the date of the EGM and the Final Closing Date will not be extended, the Shares represented by acceptances of the Offer shall be paid for by the Company as soon as possible but in any event within 7 Business Days following the close of the Offer.

LETTER FROM BNPP SECURITIES

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the Title Documents, is received by the Registrar by no later than the Latest Acceptance Time and is or is deemed to be in order, the Registrar will send, by ordinary post at that accepting Qualifying Shareholder's risk, a remittance for such total amount as is due to that accepting Qualifying Shareholder under the Offer (subject to deduction of seller's ad valorem stamp duty due on the buy-back of the Shares from the amount payable in cash) within 7 Business Days of the close of the Offer.

If the Shares tendered by an Accepting Shareholder have not been purchased by the Company in full, the Share certificate in respect of the balance of such Shares therefor will be sent to such Accepting Shareholder by ordinary post at his/her/its risk within 7 Business Days of the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. In such an event, the Company will make an announcement in accordance with the Codes and, or, send a notice of lapse of the Offer to the Shareholders. Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Accepting Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post at his/her/its own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAX IMPLICATIONS

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, BNPP Securities, Chanceton, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of his/their acceptance(s) of the Offer.

EGM

A notice convening the EGM to be held at Rooms 4902-03, 49/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 11:30 a.m. on Monday, 17 August 2015, for the purposes of considering and, if thought fit, approving the ordinary resolution in connection with the Offer and the Whitewash Waiver, is set out on pages EGM-1 to EGM-2 of this Offer Document.

GENERAL

Shareholders are strongly advised to consider carefully the information in the letter from the Board, the recommendation of the Independent Board Committee and the advice from Chanceton contained in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices of this Offer Document which form part of this Offer Document.

Yours faithfully,
For and on behalf of
BNP Paribas Securities (Asia) Limited
Isadora Li
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the Whitewash Waiver for inclusion in this Offer Document.



石四藥集團有限公司 SSY Group Limited

(formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd. 利君國際醫藥(控股)有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

31 July 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
BNP PARIBAS SECURITIES (ASIA) LIMITED
ON BEHALF OF
SSY HOLDINGS LIMITED
TO BUY-BACK UP TO 150,000,000 SHARES
AT HK\$3.30 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waiver, details of which are set out in the letter from the Board in the document issued by the Company and dated 31 July 2015 (the “**Offer Document**”), in which this letter is included. Capitalised terms used in this letter have the same meanings as defined in this Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from BNPP Securities set out on pages 23 to 24 of this Offer Document and Appendix I of this Offer Document which contain the terms of the Offer, and the letter of advice from Chanceton set out on pages 25 to 49 of this Offer Document which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waiver as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of, Chanceton as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer and Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the Whitewash Waiver, the granting of which is one of the conditions of the Offer, are in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders vote in favour of the resolution to approve the Offer and the Whitewash Waiver at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also concur with the advice of Chanceton and recommend that the Qualifying Shareholders accept the Offer. Notwithstanding our recommendation, the Qualifying Shareholders, in particular those who may wish to realise their investments in the Shares, are reminded to monitor the market price of the Shares closely during the period of the Offer. If during the period of the Offer, it transpires that the market price of the Shares exceeds the Offer Price and the sales proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Qualifying Shareholders should, if they are able to do so, seek to sell their Shares in the market instead of accepting the Offer. On the other hand, for those Qualifying Shareholders who, after considering the information contained in this Offer Document, are attracted by the future prospects of the Group following the Offer, they should consider retaining all or part of their Shares.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
SSY Group Limited

Wang Yibing

Leung Chong Shun
Independent Non-executive Directors

Chow Kwok Wai

LETTER FROM CHANCETON

The following is the text of a letter of advice from Chanceton, the independent financial adviser to the Independent Board Committee, regarding its advice on the terms of the Offer and the Whitewash Waiver.



31 July 2015

To the Independent Board Committee and the Independent Shareholders of SSY Group Limited

Dear Sir/Madam,

**CONDITIONAL CASH OFFER BY
BNP PARIBAS SECURITIES (ASIA) LIMITED
ON BEHALF OF SSY GROUP LIMITED
TO BUY-BACK UP TO 150,000,000 SHARES
FOR HK\$3.30 IN CASH PER SHARE
AND APPLICATION FOR WHITEWASH WAIVER**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Offer and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Offer Document to the Shareholders dated 31 July 2015 (the “**Offer Document**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee in respect of the Offer and the Whitewash Waiver. Unless the context otherwise requires, terms defined in the Offer Document have the same meanings in this letter.

As set out in the Letter from the Board, on 2 July 2015, the Directors announce that a conditional cash offer will be made by BNPP Securities on behalf of the Company in compliance with the Share Buy-backs Code to buy back for cancellation, subject to the Conditions, up to the Maximum Number, being 150,000,000 Shares in aggregate, representing approximately 5.05% of the entire issued share capital of the Company as at the Latest Practicable Date at the price of HK\$3.30 per Share. CPCL, Mr. Qu and parties acting in concert with any of them were interested in an aggregate 880,102,000 Shares, representing approximately 29.65% of the entire issued share capital of the Company as at the Latest Practicable Date. Since CPCL and Mr. Qu have irrevocably undertaken to the Company that they will not tender any of their holdings in Shares pursuant to the Offer, as a result, the interest of CPCL, Mr. Qu and parties acting in concert with any of them, in the issued share capital of the Company may increase to a maximum level of approximately 31.23%, depending on the level of acceptance received from the Qualifying Shareholders pursuant to the Offer.

LETTER FROM CHANCETON

As such increase in shareholding interests will be treated as an acquisition of voting rights under the Takeovers Code and such increase may well enlarge the shareholding of CPCL, and parties acting in concert with it, in the Company to 30% or beyond upon completion of the Offer, the Whitewash Waiver will be applied with the Executive to dispense with an obligation under Rule 26 of the Takeovers Code on the part of CPCL (and parties acting in concert with it) to make a separate mandatory general offer for all the Shares not held by it (or them) upon completion of the Offer.

Accordingly, an application for the Whitewash Waiver has been made to the Executive.

The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. If the Whitewash Waiver is not approved by the Independent Shareholders, or if it is not granted by the Executive, the Offer will immediately lapse.

II. THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai, which has been formed to advise the Independent Shareholders with respect to the Offer and the Whitewash Waiver. As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee as to whether the Offer and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting for or against the Offer and the Whitewash Waiver, and how the Independent Shareholders should vote in respect of the resolutions to approve the Offer and the Whitewash Waiver at the EGM.

III. BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Offer Document and the information and representations provided to us by the Directors and the management of the Company, including (i) the Offer Document; (ii) the Buy-back Mandate granted on 15 May 2015 at the annual general meeting of the Company; (iii) public information in respect of the Shares and the shares of comparable listed companies from the official website of the Stock Exchange; and (iv) the annual reports of the Company for the years ended 31 December 2014 and 31 December 2013 respectively. We have assumed that all information and representations contained or referred to in the Offer Document and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Offer Document and up to the date of EGM, Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. The Directors jointly and severally accept full responsibility for

LETTER FROM CHANCETON

the accuracy of the information contained in the Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Offer Document have been arrived at after due and careful consideration and there are no other material facts not contained in the Offer Document the omission of which would make any such statement contained in the Offer Document, including this letter, misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

This letter is issued for the information of the Independent Board Committee solely in connection with its consideration of the Offer and the Whitewash Waiver, except for its inclusion in the Offer Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

IV. PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the terms of the Offer, the Buy-back Mandate and the Whitewash Waiver, we have taken into consideration the following principal factors:

1. Principal Terms of the Offer

As set out in the Letter from the Board in the Circular, BNPP Securities will make the Offer to the Qualifying Shareholders on behalf of the Company to buy-back Shares, on the terms and subject to the conditions set out in this Offer Document up to 150,000,000 Shares, representing approximately 5.05% of the total issued share capital of the Company as at the Latest Practicable Date. Qualifying Shareholders may accept the Offer by submission of Form of Acceptance for the sale of their Shares to the Company at the Offer Price of HK\$3.30 per Share. The Offer will, if accepted in full, result in the Company paying approximately HK\$495 million to the Accepting Shareholders.

The Offer will be made in full compliance with the Codes. The consideration of the Offer (being approximately HK\$495 million if the Offer is accepted in full, will be financed by the internal resources and the Facility. BNPP Securities is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

LETTER FROM CHANCETON

The Offer Price

The Offer Price represents:

- i. a premium of approximately 46.67% over the closing price of the Shares approximately HK\$2.25 as quoted on the Stock Exchange as at the Latest Practicable Date;
- ii. a premium of approximately 17.02% to the closing price of Shares of HK\$2.82 as quoted on the Stock Exchange on the Last Trading Day;
- iii. a premium of approximately 17.69% over the average closing price of HK\$2.804, being the average closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days preceding and including the Last Trading Day;
- iv. a premium of approximately 14.08% over the average closing price of HK\$2.893, being the average closing price of the Shares as quoted on the Stock Exchange for the last 30 trading days preceding and including the Last Trading Day; and
- v. a premium of approximately 200.00% to the Group's net asset value per Share of HK\$1.10 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014.
- vi. a premium of approximately 194.64% to the Group's net asset value per Share of HK\$1.12 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014 being adjusted by the upward valuation from the valuation report as set out in Appendix IV of the Offer Document.

The Offer Price of HK\$3.30 per Share values the entire existing issued share capital of the Company as at the Latest Practicable Date at approximately HK\$9,796.14 million. We consider the Offer Price, which represents premiums to recent closing prices of the Company and the Group's net asset value per Share (as stated in (v) and (vi) above), provides a good opportunity for the Shareholders to realize their investments at a premium to the prevailing market conditions and thus we are of the view that the Offer Price is fair and reasonable and in the best interests of the Shareholders in this aspect.

Under the law of the Cayman Islands, buy-backs by the Company may only be made out of the funds of the Company which are legally available for such purpose or out of the proceeds of a fresh issue of shares made for the purpose of the buy-back or, subject to the statutory test of solvency, out of capital. The premium, if any, payable on the buy-back, shall be provided for out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the statutory test of solvency, out of capital. The Directors are of the opinion that, in the event that the maximum amount of the consideration is payable upon full acceptance and completion of the Offer, there would not be any material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

LETTER FROM CHANCETON

The salient terms of the Offer will tentatively be as follows:

- (a) BNPP Securities will make the Offer to the Shareholders on behalf of the Company to buy back Shares, depending on the number of Shares relating to acceptance by Qualifying Shareholders, up to the Maximum Number at the Offer Price;
- (b) Qualifying Shareholders may accept the Offer in respect of their holdings in Shares at the Offer Price up to their entire holdings (subject to the procedures for the scale down of Excess Tenders described below);
- (c) Shares stated in acceptances of the Offer will be bought back to the fullest extent of the Accepting Shareholders' Assured Entitlement. No minimum number of acceptances will be set for individual acceptances or the number of Shares to be bought back under the Offer;
- (d) Excess Tenders will be accepted, on a pro rata basis to the extent that the aggregate number of Shares bought back pursuant to the Offer will not thereby exceed the Maximum Number;
- (e) Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional;
- (f) Shares will be bought back in cash, free of commissions, levies and dealing charges, save that the amount of stamp duty due on Shares bought back payable by the seller will be deducted from the amount payable to the Accepting Shareholders; and
- (g) Shares bought-back will be treated as cancelled and will not rank for purpose of any dividends declared pursuant to any record date set subsequent to the date of their cancellation.

Under the Share Buy-backs Code and the articles of association of the Company, the Offer will need to be approved by the Independent Shareholders in general meeting by a majority of votes and will also be subject to the Conditions as referred to in the section headed "Conditions of the Offer" below.

Conditions of the Offer

The Offer will be conditional upon fulfilment of all of the following events:

- (a) the passing of an ordinary resolution at the EGM approving the Offer and the Whitewash Waiver by a majority of votes cast by the Independent Shareholders attending in person or by proxy thereat by way of poll; and
- (b) the granting of the Whitewash Waiver by the Executive and such waiver not being revoked.

LETTER FROM CHANCETON

The Offer is not conditional as to any minimum number of acceptances.

None of the Conditions can be waived. The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will immediately lapse.**

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

(i) CPCL, Mr. Qu, BNPP Securities and parties acting in concert with any of them (and any other persons who may be required to abstain from voting in accordance with the Codes); or (ii) Shareholders who are involved in or interested in the Offer and/or the Whitewash Waiver or have material interests in the Offer which is different from the interests of all other Shareholders, will abstain from voting at the EGM on the resolution to approve the Offer and the Whitewash Waiver. As at the Latest Practicable Date, BNPP Securities and parties acting in concert with it (save for those members of the group of companies of BNPP Securities that are conducting exempt principal trader activities or exempt fund manager activities) were interested in 2,000 Shares, and will therefore abstain from voting at the EGM on the resolution approving the Offer and the Whitewash Waiver.

Assured entitlement and excess tenders

The Maximum Number of Shares open for tender and buy-back pursuant to the Offer is 150,000,000 Shares, represents approximately 5.05% of the entire issued share capital of the Company as at the Latest Practicable Date.

Since CPCL and Mr. Qu have irrevocably undertaken to the Company that they will not accept the Offer in respect of any of their holdings in Shares (i.e. 880,102,000 Shares), the Maximum Number also represents approximately 7.18% of the entire issued share capital of the Company excluding the Shares held by CPCL and Mr. Qu as at the Latest Practicable Date. In other words, the Assured Entitlement of the Qualifying Shareholders (other than CPCL and Mr. Qu) will be enhanced on a pro-rata basis by the number of Shares CPCL and Mr. Qu undertake not to tender. Accordingly, the minimum number of Shares which will be assured to be bought-back pursuant to the Offer from each Qualifying Shareholder, shall be approximately 143 Shares for each board lot of 2,000 Shares (rounded down to the nearest whole number of Shares).

Accepting Shareholders may tender Shares in excess of their Assured Entitlement if certain Qualifying Shareholders do not tender their Shares or tender fewer Shares than allowed by their Assured Entitlement.

If Accepting Shareholders in aggregate tender Shares for acceptance under the Offer in respect of more than the Maximum Number, the number of Shares tendered by each Accepting Shareholder over and above his Assured Entitlement (the Excess Tenders) will be scaled down on a pro rata basis,

LETTER FROM CHANCETON

based on the total number of Excess Tenders and calculated in accordance with the following formula (save that the Company may, in its absolute discretion, round such figure up or down with the intention of avoiding, as far as practicable, Shares being held by Shareholders in odd lots or fractional entitlements):

$$\frac{(150,000,000-A) \times C}{B}$$

- A = Total number of Shares in respect of which the Offer is validly accepted by all Accepting Shareholders and which form either all or part of their respective Assured Entitlement (as the case may be)
- B = Total number of Shares in respect of which the Offer is validly accepted by the Accepting Shareholders in excess of their respective Assured Entitlement
- C = Number of Shares in respect of which the Offer is validly accepted by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement

The total number of Shares which will be bought back by the Company will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances of the Offer in excess of Assured Entitlement and as to the treatment of fractions will be conclusive and binding on all Shareholders.

As at the Latest Practicable Date, apart from the irrevocable undertaking by CPCL and Mr. Qu that they will not, and will procure that the holders of Shares in which they are interested will not, accept the Offer, neither the Company nor parties acting in concert with it has received any irrevocable commitment to accept the Offer.

Overseas Shareholders

As at the Latest Practicable Date, there were no Qualifying Shareholders with registered addresses outside Hong Kong. Accordingly, there are no Excluded Shareholders.

Odd lots

In view of the number of Shares in an Assured Entitlement and the manner of calculation in respect of the Excess Tenders as described above, an Accepting Shareholder may, as a result of the Offer, hold odd lots of Shares.

We noted that Guotai Junan Securities (Hong Kong) Limited, whose address is at 27th Floor, Low Block Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong (Contact person: Mr. Donny Wang, telephone number: 2509 7553) has been appointed by the Company as the designated broker to

LETTER FROM CHANCETON

match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares. Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

2. Reasons for and benefit to the Offer

We note that the Board believes the Offer provides an opportunity for the Qualifying Shareholders either to realize their Shares at a premium to the recent decrease in market price of the Shares or to increase their proportionate shareholding in the Company by retaining their holdings and participating in the future prospects of the Group.

Having discussed and considered other methods of achieving its objectives with the Board (including the Independent Board Committee) with respect to the aforementioned reasons, we consider the Offer will return part of the funds to the Qualifying Shareholders which allows Qualifying Shareholders a flexibility to either exit at a price which is premium to the prevailing market price or continue to participate the futures of the Group with an increased earnings per Share and thus concur with the view of the Board as set out in the sections headed “Reasons for the Offer” of Letter from the Board that the Offer is in the best interest of the Shareholders.

After taking into consideration the Offer Price, the estimated expenses of the Offer and the abovementioned reasons for and benefit to the Offer, the Directors consider buying back up to a maximum of 150,000,000 Shares is in the interest of the Company and the Shareholders as a whole.

3. Business performance and future intentions of the Group

The principal business activity of the Company is research, development, manufacture and sale of a wide range of pharmaceutical products mainly intravenous infusion solution. According to the audited report for the year ended 31 December 2014, the revenue of the Group from continuing operations amounted to approximately HK\$2,091,471,000, representing an increase of 21.4% as compared to HK\$1,723,256,000 in last year. A breakdown of the revenue of the Group for the year ended 31 December 2014 is set out as follows:

LETTER FROM CHANCETON

Revenue Breakdown, Gross Profit, Net Profit and Changes of Revenue, Gross Profit and Net Profit of the Group for the year ended 31 December 2013 and 2014

	For the year ended 31 December				
	2014		2013		Increase/ (decrease) %
	Sales	Percentage of sales	Sales	Percentage of sales	
<i>HK\$'000</i>	(<i>%</i>)	<i>HK\$'000</i>	(<i>%</i>)		
Total Revenue	2,091,471	100.0	1,723,256	100.0	21.4
— Intravenous Infusion					
Solution	1,940,665	92.8	1,517,390	88.1	27.9
— Others	150,806	7.2	205,866	11.9	(26.7)
Gross Profit	1,065,403	50.9	828,579	48.1	28.6
Net Profit	602,972	28.8	411,818	23.9	46.4

Net Asset Value of the Group

	As at 31 December	
	2014	2013
Net Asset Value	HK\$3,253,170,000	HK\$2,866,896,000
Number of Shares in Issue	2,968,527,385 shares	2,929,925,385 shares
Net Asset Value per Share	HK\$1.10	HK\$0.98

Revenue of the Group from continuing operations for the year ended 31 December 2014 was HK\$2,091,471,000 representing an approximately 21.4% increase as compared to that of the year 2013 which mainly attributed to the increasing demand in the high quality intravenous infusion solution products in the PRC in year 2014. The Group recorded a net profit attributable to the equity holders of the Company HK\$602,929,000 for the year ended 31 December 2014 versus a net profit of HK\$411,814,000 as recorded for the year 2013. Earnings per Share for the year 2014 was HK\$0.1669 versus earnings per Share of HK\$0.1261 as recorded in the year 2013. As at 31 December 2014, the Group's net asset value per Share was HK\$1.10 (31 December 2013: HK\$0.98).

Having reviewed and analysed the business and financial performance and the future intentions of the development of the Group, we noted the following key concerns:

Disposal of Unprofitable Business

During the financial year ended 31 December 2014, all entire assets and business of Xi'an Lijun were successfully disposed during the year ("Disposal") due to the unsatisfactory financial performance of Xi'an Lijun. As the Company expected that Xi'an Lijun with a focus on the antibiotics business would experience sluggish business growth in the coming few years

LETTER FROM CHANCETON

and would require substantial investment to obtain the new GMP certification, the disposal of Xi'an Lijun would be favourable to the reallocation of the Company's resources to concentrate on business areas with stronger growth potential.

Limited Product Mix

Upon the Disposal, the Company only relies on a limited range of medical products, focusing on the sales of intravenous infusion solutions. According to the annual report for the year ended 31 December 2013 and 31 December 2014, approximately 88.1% and 92.8% of the sales respectively, are generated from the sales of intravenous infusion solutions in different packaging, which includes non-PVC soft bag infusion solution, PP plastic bottle infusion solution and glass bottle infusion solution. With the increasing proportion of revenue generated from intravenous infusion solution, disposal of non-intravenous infusion solution business, the Company exposes the risk of high reliance on a single type of products for its revenue stream. We consider that any sudden impact on the sales and/or cost of the Company's product will have adverse effect to the financial of the Company.

Future Intentions of the business development of the Group

CPCL is the substantial shareholder of, and Mr. Qu is the Chairman and Chief Executive Officer of the Group. Completion of the Offer will not result in a change of CPCL, Mr. Qu and parties acting in concert with any of them being collectively the single largest Shareholder or the composition of the Board. Mr. Qu and parties acting in concert with him intend to continue with the existing businesses of the Group and do not intend to introduce any major changes to the businesses of the Group. They also intend that the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of the Offer.

Mr. Qu and CPCL have informed the Company that their respective undertakings, and the procurement of the holders of Shares in which they are interested, not to accept the Offer is consistent with their belief in, and commitment to, the Company and its businesses. Mr. Qu and parties acting in concert with him have also informed the Company that it is their intention and the intention of parties acting in concert with any of them that, following completion of the Offer, the business, management and the Board of the Company will remain unchanged. It is also their intention to maintain the Company's listing on the Stock Exchange and not to privatize the Company by availing themselves of any powers of compulsory acquisition which may be available to it under the applicable laws in Cayman Islands. It is also the intention of the Company (i) not to rely upon sections 705, 711 to 716 and 718 to 721 of the Companies Ordinance (Cap 622) or any comparable provision of applicable company law in Cayman Islands; and (ii) to continue to meet the public float requirements of Rule 8.08 of the Listing Rules.

LETTER FROM CHANCETON

As disclosed in the Letter From the Board, with reference the annual report of the Company for the year ended 31 December 2014, with enormous opportunities and challenges, such as a more competitive pricing, in the pharmaceutical industry in the PRC, the Group believes that it is on the right track to capitalise on such opportunities to achieve new breakthroughs. The Group will focus on securing tenders in new markets including but not limited to Auhui, Hunan, Guangdong, Zhejiang, Jilin, Gansu, Liaoning, Jiangxi, Heilongjian, Yunnan and Shanghai, and South-East Asian countries for overseas. The Group will also endeavour to excel in the marketing of strategic products such as soft bag rinsing solutions and the therapeutic solutions. The Group will try to improve its operating efficiency from costs and expenses perspective while ensuring the product quality. To such end, the Group has been proactively identifying and exploring potential targets and opportunities for acquisitions and mergers in the pharmaceutical industry which is in line with the principal business of the Company but no agreement had been reached as at the Latest Practicable Date.

As discussed in the annual report 2014 of the Company, other than focusing on the PRC market, the Company will also implement the strategy of “going overseas” which accelerate the pace of international registration and certification of our products, and enrich the types and specifications of the products for export incessantly. In order to diversify the business risk with limited products available of the Company, that the management has been actively seeking for new development of products including glycine rinsing solution, compound amino acid injection soft bags and compound electrolyte injection vertical bags. In regarding the research and development, certain new drug certifications and product permits with the clinical research for three Type 3 new drugs are yet to be obtained while Blonanserin is expected to be obtained first by the end of the year. In addition, in order to in line with the development of innovation drugs in the international arena, the Company will also carry out drug type selection focusing on mental and neurological diseases, respiratory diseases, infectious diseases, dialysis and auxiliary treatment, rinsing solution and nutritious treatments. It was planned that over 20 type 3 new drugs will be submitted for approval in 2015. As the Latest Practicable Date, as advised by the management of the Company, there are no new material development or further update of the Company upon the publication of the annual report 2014 of the Company.

Nevertheless, we are of the view that although the research and development of the Company has placed effort in ensuring the continuous growth of the Company, any further development and production may take time and resources to further develop and produce until it can be sold in the market. Therefore, the Company may not realize the return immediately until further funding required for the development and production of the new products.

As disclosed in the announcement of the Company dated 3 February 2015, the Company has formed a joint venture Company (“JV Company”) with Dr. Zhou Ximing and Mr. Wang Rui. As at the Latest Practicable Date, both Dr. Zhou Ximing and Mr. Wang Rui are third parties independent of the Company and its connected persons (as defined in the Listing Rules) and do not hold any shares of the Company, which engages in the research and development

LETTER FROM CHANCETON

of biotechnology and related products, with the aim to diversify the product mix of the Company to minimize business risks. The JV Company has the technologies for the preparation of primary and secondary antibodies, and Serum Free Medium for Stem Cell, T-SPOT TB test and computer analytical system, expression of antigen protein and peptide synthetic technique etc. 583 types of antibodies and 3 types of Serum Free Medium for Stem Cell products have been prepared. The Company considered that the formation of the JV Company will become the new business growth area of the Company and will provide financial support as well as business operation support to expedite the commercialization of its products and to achieve economic benefits as soon as possible.

As mentioned above, we consider that the Company has the risk of concentration of product for its revenue stream. Although the Company has started diversifying its business stream to other areas, we notice that the steps on diversifying the Company business stream is still in an early stage and there are uncertainty on the success of the new business stream in the near future as time and investment are needed for the new business stream to become mature and during the period while the new business stream is still in development, the Company still suffers from the risk of highly rely on single type of product for its revenue stream.

We are of the view that the strategy of the Company may expand market reach, possibly enhance the efficiency of the Company. However, it may require further utilization of Company's resources or carrying out further fund raising activities with unfavourable dilution effect to the existing shareholders when such opportunities for mergers and acquisitions and fund raising arises.

The Company has indicated a growth in revenue and profit when compared to the previous financial year, nevertheless, in light of the above mentioned, in summary, we are of the view that the Company faces certain business risks and uncertainties both in its current business and the intentions of future development of the Group:

- (1) **High concentration on a single type of products for its revenue stream** – the Company highly relies on the sales of intravenous infusion products which contributed 92.8% of the sales for the year ended 31 December 2014. Therefore, if there is any adverse change in the business environment, including but not limited to (i) any price control exerted by the PRC government authorities or any unfavourable price adjustment driven by the market such that the Company is unable to maintain sales volume, pricing levels and profit margins, (ii) any change in the applicable laws, regulations or standards; (iii) the Group may have difficulties to win bids to sell the products to PRC public hospital through centralized tender process which results in the loss of market share and hamper the revenues and profitability of the Company, the revenue of the Company will be adversely affected which will put the wealth of the shareholder of the Company at risks.
- (2) **Uncertainty in the future intentions of the Group in business diversification and possible future funding requirements of the Company** – Although Mr. Qu and parties acting in concert with him

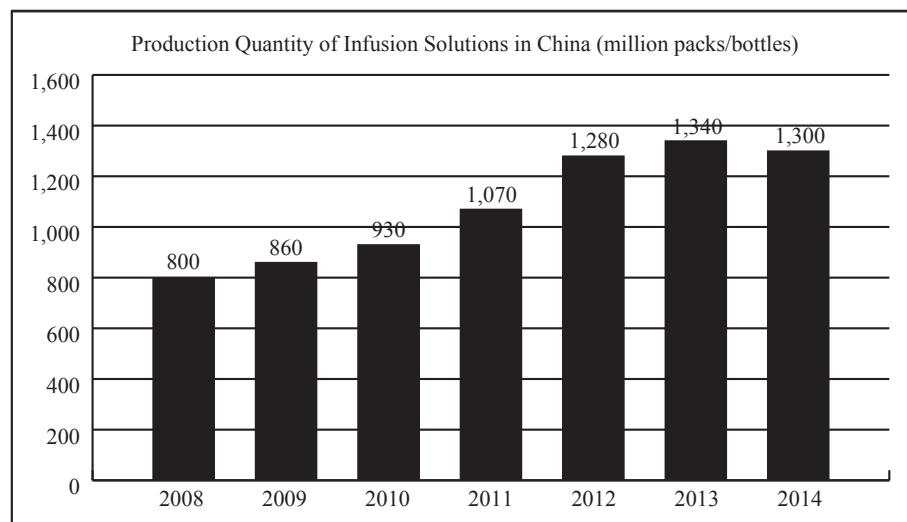
LETTER FROM CHANCETON

intend to continue with the existing businesses of the Group and do not intend to introduce any major changes to the businesses of the Group and they also intend that the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer, the Company has been taking prudent measures to diversify the scope of the products offered by the Company, among others, the Company has formed a new JV Company engaging in the research and development of biotechnology and related products as mentioned previously, and on 8 June 2015, the Company has obtained 6 new license and 6 production approvals on serum free media for stem cell (including lymphocyte serum free medium, human tissue serum free medium, epidermal serum free medium, high density cell culture medium, epithelial serum free medium and fibroblast serum free medium) as disclosed in the announcement of the Company dated 15 June 2015. We note that the Company has previously contributed RMB 20 million of which RMB 15 million to be paid to an original shareholder for 50% shareholding of the joint venture company and the remaining RMB 5 million will be injected into joint venture company as capital for research works as disclosed in the announcement of the Company dated 3 February 2015. However, in light of the new products have yet to be commercialized and upon the formation of the joint venture company which the production and sales are still yet to be commenced, we are of the view that the Company may incur further capital commitment to the joint venture company for the research and development of the products, and production related costs of the new products for its business diversification strategy. Therefore, we are of the view that the Board may also consider carrying out further fund raising activities in the future if necessary. As at Latest Practicable Date, the Company has indicated that there are no specific fund raising plans.

- (3) **Uncertainty in the future prospect of the pharmaceutical products in particular the infusion solutions and biotechnology and related products** – In respect to the sale of infusion solutions, according to the data from the China Industry Information Web* (中國產業信息網), the following illustrates the quantities of the infusion solutions production in the recent years in China:

* For identification purpose only

LETTER FROM CHANCETON



Source: China Industry Information Web* (中國產業信息網)

As shown in the figure above, we noted that the production quantity of the infusion solutions in China increased during the period from 2008 to 2013, but the growth rate dropped during the period from 2012 to 2013 and suffer a decrease during the period from 2013 to 2014. Having discussed with the management of the Company, we noted that such drop of supply was attributed to (i) the over-supply of infusion solutions prior 2013 and (ii) the industry consolidation in complying with the introduction of new GMP standards into the industry which will increase the production cost. In addition, we are of the view that such industry consolidation will force small-scale competitors to adopt a more aggressive pricing policy in the tender process to strive for their survival in the market. In response to the price competition, the Company has to lower the product price, which resulting a decrease in gross profit margin of the Company. Therefore, we consider that such competition will increase and we are of the view that the infusion industry will be challenging and affect the performance of the market players in the market in the foreseeable future, including the Company.

In respect to the sale of biotechnology and related products, we have reviewed a presentation from the Company namely Cell Growth Medium Industry Overview and Management* (細胞培養基行業現狀及管理) issued by China Medicinal Biotech Association (中國醫藥生物技術協會) (“Biotech Presentation”). According to the Biotech Presentation, the cell growth medium in China, which includes the Company’s new biotechnology business, has approximately 10 domestic market players with less than 6 overseas market players. The production condition for most of the market players within the industry has no GMP standard management and the industry is unregulated. Therefore, we are of the view that the Company may face uncertainties in the business when further restrictions and regulations imposed to the biotechnology industry.

* For identification purpose only

LETTER FROM CHANCETON

Having considered that (i) the Company is highly relying on a limited intravenous infusion products which is susceptible to various adverse business risks, (ii) the possibility that the Company may carry out fund raising activities should there are funding needs for its business diversification strategies if necessary which may results dilution effect of the shareholding of the Company or hampering the gearing ratio of the Company which will further expose uncertainties on the intrinsic value of the shares of the Company, under the premium of the Offer Price to the current market price of the Share and together amid the downward trend of the stock price of the Company in the last few months, when the Hong Kong financial market was affected by the sovereign debt crisis of Greece and de-leveraging activities of the PRC stock market, (iii) the uncertainty in the sale of pharmaceutical products in particular, the infusion solutions and biotechnology and related products under the unfavourable market prospect, we are of the view that the Offer provide a good opportunity for the shareholders to realize the investments in the Company at a premium to the recent decreasing market price or to increase their proportionate shareholding in the Company by retaining their holdings and participating in the future prospects of the Group.

4. Analysis of the historical Share price and trading volume

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in trading price of the Shares during the last 12 months preceding the Latest Practicable Date up to the Latest Practicable Date.

The Review Period

The time frame chosen for share price and volume data used within the upcoming sections includes the last 12 months preceding the Latest Practicable Date up to the Latest Practicable Date (the “Review Period”).

We are of the view that the length of the Review Period is appropriate as it would have given the market enough time horizon to re-evaluate the fairness of the asset value, and to investigate the risk factors. During the Review Period, unfavourable economic events such as the European sovereign debt crisis, the slowing of economic growth in the PRC and the recent slump in the PRC stock market attributable to the de-leveraging activities have happened to give severe impacts to global stock markets, particularly the PRC and the Hong Kong stock market. Under such a situation, we are of the view that the length of period is appropriate as such adverse economic events would have given the market an opportunity to re-evaluate the fairness of the asset value, and to investigate the risk factors underneath. As such, the historical prices of the Shares are believed to be rational and representative within the period.

Historical share price and liquidity

As shown in the following table are:

- (a) the monthly highest and lowest closing share prices of the Shares as quoted on the Stock Exchange during the Review Period;

LETTER FROM CHANCETON

- (b) the average daily trading volume of Shares during the Review Period;
- (c) the trading volume of the Shares as a percentage of the Company's existing issued Shares; and
- (d) the trading volume of the Shares as a percentage of the Company's issued Shares held by the public as at the Latest Practicable Date.

	Number of trading days	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily trading volume (shares)	The percentage of the average daily trading volume to the issued Shares (Note 1)	The percentage of the average daily trading volume to the issued Shares held by the public as at the Latest Practicable Date (Note 2)
2014						
July	22	3.75	3.04	8,847,632	0.30%	0.42%
August	21	3.95	3.51	7,350,077	0.25%	0.35%
September	21	4.14	3.74	5,855,869	0.20%	0.28%
October	21	4.34	3.70	13,397,071	0.45%	0.64%
November	20	4.04	3.58	16,655,364	0.56%	0.80%
December	21	3.60	3.29	8,503,584	0.29%	0.41%
2015						
January	21	3.64	3.08	7,264,905	0.24%	0.35%
February	18	3.60	3.11	7,316,422	0.25%	0.35%
March	22	3.55	3.25	9,245,736	0.31%	0.44%
April	19	4.17	3.44	16,565,840	0.56%	0.79%
May	19	3.13	2.81	18,822,040	0.63%	0.90%
June (1 to the Last Trading Day)	17	3.06	2.76	6,100,405	0.21%	0.29%
July (3 and up to the Latest Practicable Date)	18	2.76	2.08	10,309,422	0.35%	0.49%

Source: HKEx

Notes:

- Based on the total number of issued Shares as at the last trading days of each month, (2,953,925,385 for the period from July 2014 to December 2014 and 2,968,527,385 for the period from December 2014 to the Latest Practicable Date).
- Based on the total number of issued Shares of 2,088,425,385 held by Public Shareholders as at the Latest Practicable Date.

From the above table, we note that the Offer Price of HK\$3.30 is between the highest closing price of HK\$4.34 and the lowest closing price of HK\$2.08 of the Shares within the Review Period.

LETTER FROM CHANCETON

As illustrated above, having been affected by the stock market collapse of the PRC and Hong Kong, the Share has been trading in the range of HK\$1.96 to HK\$3.07 per Share after the publication of the Announcement on 2 July 2015 which is well below the Offer Price. We note that the Shares have been trading in the range from the highest of HK\$4.35 per Share (recorded on 22 October 2014) and the lowest of HK\$1.96 per Share (recorded on 8 July 2015) and the trading price of the Share was traded at a descending trend for the last 12 months from the date of the Announcement and below the Offer Price during the period from May 2015 and up to the Latest Practicable Date. Taking into account the Share has been trading below the Offer Price since May 2015 and the current fluctuating atmosphere of the PRC and Hong Kong stock markets, we are of the view that the Offer Price shall be attractive enough for the Independent Shareholders to accept the Offer.

It is also noted that the Shares has experienced thin historical average daily trading volume that ranges from the lowest of 5,855,869 shares in September 2014 to the highest of 18,822,040 shares in May 2015. Given the thin and volatile 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 level of the Shares. Taking into the account the Offer being made to all Shareholders and the level of premium of the Offer Price over the prevailing market price of the Shares, all the Shareholders are given an equal opportunity to realize their investments in the Shares at the Offer Price, if they wish to do so. We have considered if there are alternative means of share buy-backs: the Company purchasing the Shares on the market. Given the low average daily trading volume, which is less than 1.00% of the issued Shares during the Review Period, it will probably take a very long time, and it will be inefficient, for the Company to purchase in the open market such a large percentage of Shares as contemplated under the Offer. Accordingly, we are of the view that to buy back the Shares in the open market is not practicable, and the Offer is a reasonable approach made by the Company.

We would like to remind the Independent Shareholders that although the Offer Price has been generally above the closing prices of the Shares since May 2015, and represents a considerable premium over the closing price of the Shares on the Latest Practicable Date, there is no guarantee that the trading price of the Shares will persistently remain and be lower than the Offer Price during and after the completion of the Offer. The Independent Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the completion of the Offer. In the event that the market price of the Shares exceeds the Offer Price during the period while the Offer is open and the sales proceeds (net of transaction costs) exceed the amount receivable under the Offer, Independent Shareholders should consider not accepting the Offer and consider seeking to sell their Shares in the open market if they are able to do so.

LETTER FROM CHANCETON

5. Analysis of the Valuation of the Company implied by the Offer price compared to other comparable companies

In forming our opinion on the Offer Price, we have also considered the commonly adopted comparable approaches in evaluation of a company, namely price to earnings approach and price to book value approach. In the selection of comparables, our selection criteria is any Hong Kong listed stocks which (i) is principally engaged in medical industry; (ii) is principally engaged in sales of medicine products in the PRC; (iii) has a segregated research and development in the medical products; and (iv) market capitalization within the range of HK\$5 billion to HK\$10 billion. Under such criteria, we have identified an exhaustive list of 4 companies falling within the above criteria (the “Comparables”). The following table shows the (i) the price/earnings ratio and (ii) the price/book ratio of the implied by the Offer Price of the Company and the Comparables which these ratio analysis are common methodology in performing evaluation on the value of the stocks by comparing within the same industry:

Name of the company	Stock code	Principal business activity	Market Capitalization (HK\$'000)	Profits/ (Loss) (HK\$'000) (Note 5)	Book value (HK\$'000) (Note 1)	Price/ earnings ratio (Note 7)	Price/book ratio (Note 2)
China Shineway Pharmaceutical Group Ltd (Note 6)	2877	Engaged in research, development, manufacture and trading of modern Chinese medicines	8,228,650	880,863	6,116,135	9.3	1.3
The United Laboratories International Holdings Ltd	3933	Engaged in (i) sale of intermediate products; (ii) sale of bulk medicine; and (iii) sale of antibiotics finished products, non-antibiotics finished products and capsule casings	7,451,088	681,076	6,969,117	10.9	1.1
Tong Ren Tang Technologies Co. Ltd (Note 6)	1666	Engaged in the manufacturing and sale of Chinese medicine products	7,720,485 (H Shares)	770,448	5,545,193	10.0	1.4
Consun Pharmaceutical Group Ltd. (Note 6)	1681	Engaged in the research, manufacturing and sale of modern Chinese medicines and medical contrast medium in the PRC.	5,900,000	264,000	1,791,483	22.3	3.3

LETTER FROM CHANCETON

Name of the company	Stock code	Principal business activity	Market Capitalization (HK\$'000)	Profits/ (Loss) (HK\$'000) (Note 5)	Book value (HK\$'000) (Note 1)	Price/ earnings ratio (Note 7)	Price/book ratio (Note 2)
						Mean 13.2	1.8
						Median 10.5	1.4
						Range 9.3-22.3	1.1-3.3
The Company (Note 6)	2005	Engaged in the research, development, manufacturing and selling of a wide range of finished medicines and bulk pharmaceutical products to hospitals and distributors. The Group has manufacturing plants in Hebei Province and Shaanxi Province, the People's Republic of China, and sells to customers mainly in Mainland China	9,796,140 (Note 3)	602,972	3,253,170	16.2 (Note 4)	3.0 (Note 4)

Source: The Stock Exchange

Notes:

1. Book values of the respective Comparables are the net assets values as reported in their latest available audited/unaudited financial statements.
2. Price/book ratio is calculated using the market capitalisation of the company as at the Latest Practicable Date divided by the book values of the company.
3. The market capitalisation as implied by the Offer Price of the Company is the Offer Price times the number of issued Shares as at the Latest Practicable Date.
4. The market capitalisation as implied by the Offer Price divided by the book value of the Group as at 31 December 2014.
5. Profits (loss) are net profit/loss for the year of the respective Comparables as reported on their latest available audited financial statements.
6. The exchange rates for RMB: HKD used in the analysis is 1.25.
7. Price/earnings ratio is calculated using the market capitalisation of the Company as at the Latest Practicable Date divided by the profit (if any) of the Company.

LETTER FROM CHANCETON

Price/earnings ratio

We have compared the price/earnings ratio of the Group as implied by the Offer Price with those of other Comparables. In accordance with the audited financial statement for the year ended 2014, the Company recorded a net profit of approximately HK\$602,972,000. As at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$6,679,187,616. For illustration purpose, the market capitalisation stated in the above table is the market capitalisation implied by the Offer Price which equals to the Offer Price times the number of issued Shares as at the Latest Practicable Date was approximately HK\$9,796,140,000, which the price/earnings ratio can be derived to approximately 16.2 which (i) falls within the range of the Comparables of the price/earnings ratios of between 9.3 and 22.3; (ii) is comparably higher than the average mean of the price/earnings ratios of 13.2 among the Comparables. Therefore, it appears that the price/earnings ratios of the Company is much higher than other Comparables, as such, we are of the view the Offer price Offer Price can provide a higher valuation to the Shareholders, and is therefore fair and reasonable.

Price/book ratio

We have compared the price/book ratio of the Group as implied by the Offer Price with those of other Comparables. As shown in the table above, comparing (a) the Group's book value of approximately HK\$1.10 per Share based on the audited financial statement for the year ended 31 December 2014; (b) the Group's book value of approximately HK\$1.12 per Share pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014 being adjusted by the upward valuation from the valuation report set out in Appendix IV of the Offer Document and (c) the Group's book value of HK\$0.98 per Share after the completion of the Offer stated in the unaudited pro forma financial information of the Group set out in Appendix III of the Offer Document with the Offer Price of HK\$3.30, the price/book ratio of the Group as implied by the Offer Price (i) representing the Offer Price is approximately 3 to 3.4 times of the abovementioned book values the Group as at 31 December 2014; and (ii) falls within the range of the Comparables of the price/book ratio at approximately 1.1 times to 3.3 times of their corresponding book value; and (iii) the price/book ratio of the Group as implied by the Offer Price falls on the higher range and comparably higher than both the mean and median of the P/B Ratio of 1.8 and 1.4 respectively among the Comparables. Since the book values of the Comparables used in the comparison above also represent the net assets values as reported in their latest available audited/ unaudited financial statements, the price/book ratio comparison explains the reasonableness of the premium of the Offer Price to the net asset value of the Company. As such, we are of the view that the Offer Price can provide a higher valuation to the Shareholders in terms of price/book ratio as compared to the market and is therefore fair and reasonable.

LETTER FROM CHANCETON

Having compared both the price/earnings and the price/book ratio as implied by the Offer Price with the Comparables, it indicated that these ratios are both within the range of the Comparables and fall on the higher range of the Comparables. Thus, we are of the view that the Offer Price is therefore fair and reasonable, and can provide a higher valuation to the Shareholders and offer a good opportunity to realize investment of the Group.

As discussed in the section above and our observation of the reason Share price of the Company, we notice that (i) the Offer has a premium of approximately 46.67% to the closing price of Shares of HK\$2.25 as quoted on the Stock Exchange on the Latest Practicable Date; and (ii) the Offer indicates an above-average Price/earning ratio and Price/book value ratio compare with the Comparable (as defined below), which indicates that if the Shareholders accept the Offer, the Offer can allow the Qualifying Shareholders to realize the Shares at a premium to the recent market price and an above average value compare with the other comparable companies in the market with similar business nature.

6. Dilution effect on the shareholding interests of the Shareholders

Set out below are the Company's existing shareholding structure and the projected shareholding structure in the event the Offer has been accepted in full (taking into account that CPCL and Mr. Qu have undertaken not to participate in the Offer), and assuming that no additional Shares will be issued from the date of this announcement up to and including the date of completion of the Offer:

Shareholders	Existing Shareholding		Shareholding upon completion of the Offer	
	No. of Shares	Approximate %	No of Shares	Approximate %
CPCL (<i>Note 1</i>)	722,510,000	24.34	722,510,000	25.64
Mr. Qu	157,592,000	5.31	157,592,000	5.59
<i>Sub-total of CPCL and its concert parties</i>	880,102,000	29.65	880,102,000	31.23
Public (<i>Note 2</i>)	2,088,425,385	70.35	1,938,425,385	68.77
Total	2,968,527,385	100.00	2,818,527,385	100.00

Notes:

- CPCL is held as to 72.93% by Mr. Qu and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu is deemed to be interested in the Shares held by CPCL.
- Such Shares include 2,000 Shares held by BNPP Securities and parties acting in concert with it (save for those members of the group of companies of BNPP Securities that are conducting exempt principal trader activities or exempt fund manager activities).

LETTER FROM CHANCETON

CPCL, together with Mr. Qu will become a controlling shareholder of the Company (as such term as defined under the Listing Rules) if its holding in Shares crosses 30% upon completion of the Offer. The Company expects the current constitution of the Board and the business and operation of the Group will not be changed as a result of the Offer.

As disclosed above, under the present terms and upon completion of the Offer, the percentage of Shares that would remain in public hands (as defined under the Listing Rules) is expected to conform with and exceed the relevant minimum public float requirement under the Listing Rules. In any event, the Directors will ensure that a sufficient public float exists for the Shares and maintain the listing of the Shares on the Stock Exchange irrespective of the completion of the Offer under its present terms or any revision thereof.

It is noted from the above tables that the percentage of Shares held by public shareholders will be decreased from approximately 70.35% to 68.77% upon completion of the Offer (assuming Qualifying Shareholders accepting all of their Assured Entitlement and none of the Excess Number of Shares), the dilutive effect of the Offer on the shareholding of public shareholders is not significant.

We also notice that the Offer will decrease the number of shares issued by the Company and we are of the view that if the Shareholders retain their holdings, they can increase their proportionate shareholding in the Company.

7. Financial effect of the Offer

The unaudited pro forma consolidated financial information of the Group upon completion of the Offer illustrating the financial impact of the Offer on the net assets per Share and basic earnings per Share of the Group is set out in Appendix III of this Offer Document.

(i) Net assets per Share

Based on the unaudited pro forma consolidated financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer had been completed on 31 December 2014 and the Maximum Number had been bought-back, the net assets per Share as at 31 December 2014 would, as a result, have decreased by approximately 10.9% from approximately HK\$1.10 per Share to approximately HK\$0.98 per Share.

(ii) Basic earnings per Share

Based on the unaudited pro forma consolidated financial information of the Group set out in Appendix III of this Offer Document and assuming that full acceptance of the Offer had been completed on 1 January 2014 and the Maximum Number of Shares had been bought-back, the basic earnings per Share for the year ended 31 December 2014 would, as a result, have increased by approximately 1.20% from approximately HK\$0.1669 per Share to approximately HK\$0.1689 per Share.

LETTER FROM CHANCETON

(iii) Liabilities

The Offer will be paid in cash and funded by internal resources of the Group and the Facility. The liabilities as at 31 December 2014 would increase by approximately 45.3% from approximately HK\$1,544.4 million to approximately HK\$2,244.4 million. The Company expects to repay such increased liabilities by internal resources as they fall due in the future.

(iv) Working capital

The working capital (expressed as net current assets) as at 31 December 2014 would increase by approximately 33.7% from approximately HK\$532.7 million to approximately HK\$712.0 (assuming HK\$700 million cash inflow drawdown of long-term loan less HK\$495 million cash used for the buy-back of up to 150,000,000 Shares at a price of HK\$3.30 per Share and the estimated expenses of approximately HK\$25.7 million directly attributable to the Offer). The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the full acceptance of the Offer.

Based on the above and having considered the manner of funding of the consideration for the Offer, the Company considers that completion of the Offer will have no material adverse effect on the Group's net assets per Share, basic earnings per Share or working capital.

Assuming that the Maximum Number will be bought-back by the Company and based on the audited consolidated net assets of the Group as at 31 December 2014, although the net assets and net assets per Share of the Group would decrease upon completion of the Offer, Qualifying Shareholders who accept the Offer would enjoy the realization of their investment in the Company at a premium to the prevailing market price. In addition, having considered the Qualifying Shareholders could also enjoy the expected enhancement in earnings per Share upon completion of the Offer as stated above, we consider that the overall impact of the Offer on the earnings per Share of the Group and the net assets value per Share from the Offer is justifiable, notwithstanding the decrease in consolidated net assets per Share of the Group upon completion and the Offer is fair and reasonable and is in the interests of the Shareholders and the Company as a whole.

8. Whitewash waiver

CPCL, Mr. Qu and parties acting in concert with any of them were interested in an aggregate 880,102,000 Shares, representing approximately 29.65% of the entire issued share capital of the Company as at the Latest Practicable Date. Since CPCL and Mr. Qu have irrevocably undertaken to the Company that they will not tender any of their holdings in Shares pursuant to the Offer, as a result, the interests of CPCL, Mr. Qu and parties acting in concert with any of them, in the issued share capital of the Company may increase to a maximum level of approximately 31.23%, depending on the level of acceptance received from the Qualifying Shareholders pursuant to the Offer.

LETTER FROM CHANCETON

Pursuant to Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a shareholder's proportionate interest in the voting rights of the Company increases, such increase in shareholding interests will be treated as an acquisition of voting rights under the Takeovers Code and such increase may well enlarge the shareholding of CPCL, and parties acting in concert with it, in the Company to 30% or beyond upon completion of the Offer, the Whitewash Waiver will be applied with the Executive to dispense with an obligation under Rule 26 of the Takeovers Code on the part of Mr. Qu and CPCL to make a separate mandatory general offer for all the Shares not held by it (or them) upon completion of the Offer.

The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. If the Whitewash Waiver is not approved by the Independent Shareholders, or if it is not granted by the Executive, the Offer will immediately lapse.

We have noted that the total shareholdings held by CPCL, Mr. Qu and parties acting in concert with any of them will increase from 29.65% to 31.23% and the percentage of shares held by public Shareholders will be decreased from 70.35% to 68.77% following the completion of the Offer. We consider such changes in shareholdings are not significant and is fair and reasonable. As such, we are of the view that the terms of the Offer and the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the Offer and the Whitewash Waiver at the EGM.

V. RECOMMENDATION

Having considered the principal factors discussed above and, in particular the following,

- i. the Offer Price represents premium of approximately 17.02% to the closing price of Shares of HK\$2.82 as quoted on the Stock Exchange on the Last Trading Day;
- ii. the Offer Price represents a premium of approximately 46.67% over the closing price of HK\$2.25, being the closing price of the Shares on the Latest Practicable Date;
- iii. the Offer Price represents a premium of approximately 200.00% and 194.64% to the Group's net asset value per Share of HK\$1.10 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014 and the Group's net asset value per Share of HK\$1.12 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014 as adjusted by the upward valuation from the valuation report set out in Appendix IV of the Offer Document respectively. In addition, the revenue, profits and net asset value of the Company have all increased from the financial year 2013 to 2014 pursuant to the latest audited consolidated accounts of the Company as at 31 December 2014;

LETTER FROM CHANCETON

- iv. the historical trading price of the Share has trading at a descending trend for the last 12 months closing prices of the Shares has been trading lower than the Offer Price for 54 consecutive days since May 2015 until the Latest Practicable Date, the Offer Price shall be attractive enough for the Qualifying Shareholders to accept the Offer;
- v. (i) the Company highly relies on a single type of products for its revenue stream, (ii) there is uncertainty in the result of the business diversification plan and (iii) possible future funding maybe required for the development of new areas of the Company, the Company is facing higher business risk and it would be a good opportunity of the Shareholders to realize part of their Shareholders' value by the Offer;
- vi. the Company (i) will implement the international strategy and enrich the types and specifications of the products for export incessantly, (ii) the management has been actively seeking for new development of products focusing on mental and neurological diseases, respiratory diseases, infectious diseases, dialysis and auxiliary treatment, rinsing solution and nutritious treatments with the aim to diversify the business risk with limited products available of the Company, which these strategies may require further utilization of Company's resources or carrying out further fund raising activities with unfavourable dilution effect to the existing shareholders when such opportunities for mergers and acquisitions and fund raising arises; (iii) the uncertainty in the sale of pharmaceutical products in particular, the infusion solutions and biotechnology and related products under the unfavourable market prospect;
- vii. the P/E and P/B ratios of the Company implied by the Offer Price shows higher valuation than those comparable companies with similar market capitalisation in the same industry;
- viii. the basic earnings per Share for the year ended 31 December 2014 would, as a result, have increased by approximately 1.20% from approximately HK\$0.1669 per Share to approximately HK\$0.1689 per Share upon completion of the Offer;
- ix. 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 level of the Shares;

we are of the view that the terms of the Offer and the Whitewash Waiver are fair and reasonable and in the interests of the Company and Shareholders as a whole. We therefore advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions with respect to the approval of the Offer and the Whitewash Waiver to be proposed at the EGM and advise the Qualifying Shareholders to accept the Offer.

Yours faithfully,
For and on behalf of
Chanceton Capital Partners Limited
Wong Kam Wah
Managing Director

BNPP Securities will make the Offer to the Qualifying Shareholders on behalf of the Company to buy-back Shares for cancellation, on the terms and subject to the conditions set out in this Offer Document. The terms and conditions of the Offer are set out below.

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

The Company will buy-back Shares up to the Maximum Number at the Offer Price.

2. Conditions

The Offer will be conditional upon fulfillment of all of the following conditions:

- (a) the passing of an ordinary resolution by way of poll to approve the Offer and the Whitewash Waiver by the Independent Shareholders, either voting in person or by proxy, at the EGM; and
- (b) the granting of the Whitewash Waiver by the Executive and such waiver not being revoked.

None of the Conditions can be waived.

The Executive has agreed that subject to approval of the Independent Shareholders at the EGM by way of poll, to waive any obligations of Mr. Qu and CPCL to make a general offer which might result from completion of the Offer. **If the Whitewash Waiver is not granted by the Executive, or if the resolution relating to the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, the Offer will not proceed.**

The Offer is not conditional as to any minimum number of Shares tendered for acceptances.

3. Maximum Number

The Maximum Number which will be bought-back by the Company pursuant to the Offer is 150,000,000 Shares, representing approximately 5.05% of the issued share capital of the Company of 2,968,527,385 Shares as at the Latest Practicable Date.

4. Qualifying Shareholders

The Offer is available to all the Qualifying Shareholders whose names appear on the Register as at the Latest Acceptance Time.

5. Acceptance

- 5.1 Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire holding of Shares (subject to the procedures for scale down of Excess Tenders described under the section

headed “Assured Entitlements and Excess Tenders” as set out below) by submitting to the Registrar a duly completed Form of Acceptance, accompanied by the relevant Title Documents, by no later than the Latest Acceptance Time. Each Share may only be accepted for buy-back by the Company once.

- 5.2 The number of Shares specified by any Accepting Shareholder in a Form of Acceptance will be bought-back in the following order:
- (i) firstly, all the Shares up to the Assured Entitlement of an Accepting Shareholder; and
 - (ii) secondly, Excess Tenders will be accepted on a pro rata basis to the extent that the aggregate number of Shares bought-back by the Company pursuant to the Offer will not thereby exceed the Maximum Number.
- 5.3 The Offer Price will be paid in cash.
- 5.4 Form of Acceptance which have been duly completed and received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code.
- 5.5 All of the Shares bought-back by the Company will be free of commissions, levies and dealing charges, but seller’s ad valorem stamp duty will be payable by the Accepting Shareholders at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the market value of the Shares to be bought-back under the Offer or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher. The relevant amount of stamp duty payable will be deducted by the Company from the amount payable to the Accepting Shareholders under the Offer. The Company will arrange for payment of the seller’s ad valorem stamp duty on behalf of the Accepting Shareholders to the Stamp Duty Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- 5.6 All Shares bought-back under the Offer will be treated as cancelled in accordance with the articles of association of the Company and the applicable laws in Cayman Islands and will not rank for any dividends after the cancellation.
- 5.7 Subject to the Offer becoming unconditional, the submission of a Form of Acceptance by an Accepting Shareholder in the manner described in 5.1 above will be deemed to constitute a warranty of such Accepting Shareholder to BNPP Securities and the Company that all Shares sold by such Accepting Shareholder under the Offer are fully paid and are held by the Accepting Shareholders free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Share are cancelled.

6. Assured Entitlements and Excess Tenders

- 6.1 Assuming that all of the Qualifying Shareholders (other than the Excluded Shareholders (if any)) become Accepting Shareholders and on the basis that CPCL and Mr. Qu and their respective concerted parties do not accept the Offer, Qualifying Shareholders are assured of being able, if they so wish, to sell to the Company approximately 7.18% of the Shares they held as at the Latest Acceptance Time. By way of example, a Qualifying Shareholder will be assured of being able to sell to the Company at least 143 Shares for every board lot of 2,000 Shares it/he/she owns as at the Latest Acceptance Time, being the Maximum Number divided by 2,088,425,385 Shares and multiplied by 2,000 Shares for every board lot.
- 6.2 Accepting Shareholders may accept the Offer in excess of their Assured Entitlements and the Company may buy-back Shares under the Excess Tenders if certain Qualifying Shareholders do not accept the Offer or accept the Offer in respect of Shares fewer than their Assured Entitlements.
- 6.3 If the total number of Shares tendered for acceptance of the Offer exceeds the Maximum Number, acceptances of the Excess Tenders will be scaled down on a pro rata basis, based on the total number of Excess Tenders and calculated in accordance with the following formula (save that the Company may, in its absolute discretion, round such figure up or down with the intention of avoiding, as far as practicable, Shares being held by Shareholders in odd lots or fractional entitlements):

$$\frac{(150,000,000 - A) \times C}{B}$$

- A = Total number of Shares in respect of which the Offer is validly accepted by all Accepting Shareholders and which form either all or part of their respective Assured Entitlements (as the case may be)
- B = Total number of Shares in respect of which the Offer is validly accepted by the Accepting Shareholders in excess of their respective Assured Entitlements
- C = Number of Shares in respect of which the Offer is validly accepted by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement
- 6.4 The total number of the Shares which will be bought-back by the Company will not exceed the Maximum Number.
- 6.5 The decision of the Company as to any scaling down of acceptances of the Offer in excess of Assured Entitlements and as to the treatment of fractions will be conclusive and binding on all Shareholders.

7. Odd Lots

- 7.1 In view of the number of Shares in an Assured Entitlement and the manner of calculation in respect of the Excess Tenders as described above, an Accepting Shareholder may, as a result of the Offer, hold odd lots of Shares.
- 7.2 For this purpose, Guotai Junan Securities (Hong Kong) Limited, whose address is at 27th Floor, Low Block Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong (Contact person: Mr. Donny Wang, telephone number: 2509 7553) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares. Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

8. Acceptance Period

- 8.1 If the Conditions are satisfied, the Offer will be open for acceptance for 14 days thereafter and will not be extended. In order to be valid, a Form of Acceptance must be duly completed, together with the relevant Title Document(s) in respect of such number of Shares which represent not less than the number of Shares in respect of which the relevant Qualifying Shareholder intends to tender for acceptance under the Offer, delivered to and received by the Registrar at or before the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on Monday, 31 August 2015, or such later date as the Company may, with the prior consent of the Executive, decide and announce.
- 8.2 The date when the last one of the Conditions is expected to be satisfied is Monday, 17 August 2015, being the date of the EGM. Such date may be postponed by the Company, subject to the prior consent of the Executive.

9. Irrevocable Acceptances

Form of Acceptance which have been duly completed and received by the Registrar will constitute irrevocable acceptance of the Offer after the Offer has become, or has been declared, unconditional.

10. General

- 10.1 Shares will be bought-back by the Company on the basis that they are fully paid, their legal and beneficial ownership will be transferred to the Company for subsequent cancellation on the Register and that the Shares are free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled.

- 10.2 The Qualifying Shareholders may accept the Offer by completing and returning the Form of Acceptance in accordance with the instructions as set out in this Offer Document and printed on the Form of Acceptance (which constitute part of the terms and conditions of the Offer). A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.
- 10.3 The Offer and all acceptances of it, the Form of Acceptance, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- 10.4 Failure of any person to receive an Offer Document and/or a Form of Acceptance will not invalidate any aspect of the Offer. Extra prints of these documents will be available to any Qualifying Shareholder at the office of the Registrar during office hours from the date of despatch of this Offer Document to the Latest Acceptance Time (both days inclusive), between 9:00 a.m. to 4:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays), and on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.ssygroup.com.hk.
- 10.5 The Company reserves the right, subject to the Codes, any applicable law or regulatory requirements, to amend the Offer Price. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the Maximum Number), a supplemental document and new Form of Acceptance will be despatched to the Qualifying Shareholders. Any revised offer will be kept open for at least 14 days following the date on which the revised offer document is posted. If in the course of the Offer, the Company revises the terms of the Offer, all Qualifying Shareholders, whether they have accepted the Offer or not, will be entitled to the revised terms.
- 10.6 The right of acceptance of the Offer is personal to the Qualifying Shareholder and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders.
- 10.7 All questions as to the number of Shares bought-back, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Company in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable law or by the Codes). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment therefor which may, in the opinion of the Company, be unlawful. The Company also reserves the absolute right (provided that this is exercised consistently with the requirements of the Codes or otherwise with the Executive's consent) to waive any of the terms of the Offer, except the Conditions, either generally or in a particular case and any defect or irregularity in the acceptance of any particular Share or any particular

holder thereof. An acceptance may be rejected as invalid unless all defects or irregularities have been cured or waived. In the event of a waiver, the consideration under the Offer will not be despatched until after the Form of Acceptance is completed in all respects and the Title Documents satisfactory to the Company have been received. None of the Company, BNPP Securities, the Registrar or any of their respective directors or any other person involved in the Offer is or will be obliged to give notice of any defects or irregularities in acceptances, and none of them will incur any liability for failure to give any such notice.

- 10.8 All communications, notices, Form(s) of Acceptance, Title Documents and remittances to be delivered or sent by, to or from any Qualifying Shareholder will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of the Company, BNPP Securities, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. General Procedures for Acceptance

- 1.1 In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer).
- 1.2 In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**SSY Group Limited — Buy-back Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Monday, 31 August 2015, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.
- 1.3 Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.
- 1.4 If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

- 1.5 No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.
- 1.6 The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.
- 1.7 In relation to any acceptance of the Offer in respect of Shares held in CCASS in the name of HKSCC Nominees Limited (“HKSCCN”), HKSCCN shall specify in the Form of Acceptance (i) the total number of Shares accepting the Offer by CCASS participants under the Assured Entitlements; and (ii) the total number of Shares tendered for acceptance of the Offer by CCASS participants in excess of Assured Entitlements.
- 1.8 Only one Form of Acceptance will be accepted from each Qualifying Shareholder by the Registrar.

2. Nominee Holdings

- 2.1 If the Title Document(s) in respect of a Qualifying Shareholder’s Shares is/are in the name of a nominee company (including those Shares held in CCASS) or some name other than its/his/her own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of his/her holding(s) of Shares), it/he/she must either:
 - (i) lodge the Title Documents with the nominee company, or other nominee, with instructions authorising it to accept the Offer on its/his/her behalf and requesting it to deliver the Form of Acceptance duly completed together with the Title Documents to the Registrar, within such deadline (which may be earlier than the deadline specified under the Offer) as may be stipulated by the nominee; or
 - (ii) arrange for the Shares to be registered in its/his/her name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the Title Documents to the Registrar; or
 - (iii) if your 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 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 Nominee Limited.

- 2.2 Qualifying Shareholders with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. Recent Transfers

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in its/his/her name and has not yet received the Share certificate(s) and wishes to accept the Offer, it/he/she should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by it/him/her at or before the Latest Acceptance Time. Such action will be deemed to be an irrevocable authority to the Company and/or BNPP Securities and/or their respective agent(s) to collect from the Company or the Registrar on its/his/her behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

4. Lost or Unavailable Share Certificates

- 4.1 If the Title Document(s) is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar not later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.
- 4.2 Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the cash consideration due will not be despatched until the relevant Title Documents has/have been received by the Registrar or in the case of lost of Title Documents, such Title Documents have been cancelled and the Register has been updated.
- 4.3 If a Qualifying Shareholder has lost its/his/her Title Documents, it/he/she should write to the Registrar and request a form of letter of indemnity in respect of the lost Title Documents (as the case may be) which, when completed by it/him/her in accordance with the instructions given, should be returned, together with the Form of Acceptance and any Title Documents which are available, to the Registrar either by post or by hand, so as to arrive not later than the Latest Acceptance Time. In such cases, the Qualifying Shareholder will be informed of the fees payable to the Registrar for which it/he/she will be responsible.

5. Additional Form of Acceptance

If a Qualifying Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, it/he/she should write to the Registrar or visit the Registrar at its office and request an additional Form of Acceptance for completion by such Qualifying Shareholder. Alternatively, he/she could download it from the website of the Stock Exchange at www.hkexnews.hk or the Company's website at www.ssygroup.com.hk.

6. Settlement

6.1 Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by post of the buy-back of its/his/her Shares, including the number of Shares to be bought-back from its/his/her Excess Tenders, if any. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction pursuant to paragraph 5.5 in the section headed "Terms and Conditions of the Offer" above, and/or Share certificate(s) or other document(s) of title for the balance of those Shares tendered but not bought-back under the Offer, as soon as possible, but in any event within 7 Business Days following the close of the Offer.

6.2 If the Offer does not become unconditional, the Title Document(s) will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such share certificate(s) in lieu of the transfer receipt(s).

6.3 If the Excess Tenders of an Accepting Shareholder has not been purchased by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 7 business days following the close of the Offer.

7. New Shareholders

Any new Shareholder may collect a copy of this Offer Document, together with the form of proxy and a blank Form of Acceptance from the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong during business hours from Friday, 31 July 2015 to the closing day of the Offer, i.e. Monday, 31 August 2015 (both days inclusive). Such Shareholder may also contact the Registrar (through the enquiry dedicated

telephone line referred to in paragraph 10.9 under the section headed “Terms and Conditions of the Offer” above) and request a copy of this Offer Document, the accompanying form of proxy and a blank Form of Acceptance (as appropriate) to be sent to its/his/her registered address as recorded in the Register.

EFFECT OF ACCEPTANCE OF THE OFFER BY QUALIFYING SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and BNPP Securities (so as to bind it/him/her, its/his/her personal representatives, heirs, successors and assigns) to the effect:

1. Deeming provision

that the following provision apply in the case of incorrectly completed, incomplete or illegible Form of Acceptance:

- (a) If Box 1 of the Form of Acceptance is not completed at all or a mark other than a legible number (including a tick, a cross, a circle, a word or an illegible number or character) is inserted, such Qualifying Shareholder will be deemed to have accepted the Offer at the Offer Price in regard to such number of Shares as shall be equal to the number of the Shares tendered by such Qualifying Shareholder, as supported by the Title Document(s), subject to scaling down mechanism.
- (b) If the total number of Shares inserted in Box 1 of the Form of Acceptance is greater than the Shares tendered by the relevant Qualifying Shareholder as supported by the Title Documents, such Qualifying Shareholder will be deemed to have accepted the Offer in regard to such number of Shares as shall be equal to the number of the Shares tendered by it/him/her, as supported by the Title Documents, subject to Assured Entitlements and scaling down mechanism for acceptances in excess of Assured Entitlements as set out in this Offer Document.

2. Representations and Warranties

that by delivery to the Registrar a duly completed Form of Acceptance with the Title Documents, the Accepting Shareholder represents and warrants to the Company and BNPP Securities:

- (a) that it/he/she has full power and authority to tender, sell, assign and transfer all the Shares specified in such Form of Acceptance for buy-back and that the Shares are fully paid, free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled); and

- (b) that if it/he/she is an Overseas Shareholder, it/he/she has fully observed any its/applicable legal or regulatory requirements and that the Offer may be accepted by its/him/her lawfully under the laws of the relevant jurisdiction.

3. Appointment and Authority

that the execution of the Form of Acceptance constitutes:

- (a) the irrevocable appointment of any director or officer of the Company or BNPP Securities, or such other person as any of them may direct, as such Accepting Shareholder's agent (the "**Agent**"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of such Accepting Shareholder and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company repurchasing some or all of the Shares (as the Company may in its absolute discretion determine) in respect of which such Accepting Shareholder.

4. Undertakings

that by executing the Form of Acceptance, it/he/she:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or its/his/her powers and/or authorities under the terms of the Offer;
- (b) undertakes to deliver to the Registrar the Title Documents in respect of the Shares for which the Offer is (or is deemed to be) accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;
- (c) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Offer;
- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with its/his/her acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the buy-back of any Shares in respect of which it/he/she has accepted or is deemed to have accepted the Offer free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and such Shares are sold together with all rights or accruing attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Share are cancelled and/or to perfect any of the authorities expressed to be given hereunder;

- (e) authorises the Company or the Agent to procure the despatch by ordinary post of the consideration to which it/he/she is entitled at its/his/her own risk to the first-named holder at its/his/her registered address in Box 4 of the Form of Acceptance; and
- (f) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or the Form of Acceptance.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, BNPP Securities, Chanceton, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

ANNOUNCEMENTS

1. Following the EGM at which the Offer and the Whitewash Waiver are to be approved by the Independent Shareholders, the Company will announce through the Stock Exchange's website the results of the EGM and whether or not the Offer has become unconditional.
2. By 6:00 p.m. (or such later time as the Executive may permit) on the closing date of the Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the closing and the results of the Offer and shall publish an announcement through the Stock Exchange by 7:00 p.m. on such date stating that the Offer has been closed. A draft of such announcement must be submitted to the Executive and the Stock Exchange by 6:00 p.m. for comment and clearance and publication through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement shall, among others (except in the case of lapse of the Offer), specify the details as required under Rule 19.1 of the Takeovers Code.
3. In calculating the number of the Shares represented by a Form of Acceptance, acceptances which are not in all respects in order or are subject to verification will be stated separately.

INTERPRETATION

1. A reference in this Offer Document to a Qualifying Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Offer Document apply to them jointly and severally.
2. A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the selected financial information of the Group for each of the three years ended 31 December 2014 as extracted from the audited financial statements as set out in the annual reports of the Company.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated) <i>(Note 1)</i>
Continuing operations			
Revenue	<u>2,091,471</u>	<u>1,723,256</u>	<u>1,418,174</u>
Profit before income tax	580,150	442,292	286,299
Income tax expense	<u>(88,582)</u>	<u>(72,987)</u>	<u>(49,148)</u>
Profit for the year from continuing operations	491,568	369,305	237,151
Discontinued operations			
Profit for the year from discontinued operations	<u>111,404</u>	<u>42,513</u>	<u>43,840</u>
Profit for the year	<u>602,972</u>	<u>411,818</u>	<u>280,991</u>
Profit attributable to:			
Equity holders of the Company	602,929	411,814	281,003
Non-controlling interests	<u>43</u>	<u>4</u>	<u>(12)</u>
	<u>602,972</u>	<u>411,818</u>	<u>280,991</u>
Profit attributable to equity holders of the Company arises from:			
Continuing operations	491,525	369,301	237,163
Discontinued operations	<u>111,404</u>	<u>42,513</u>	<u>43,840</u>
	<u>602,929</u>	<u>411,814</u>	<u>281,003</u>

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated) <i>(Note 1)</i>
Dividend (paid, to be declared or proposed)	688,159	117,198	107,431
Dividend (paid, to be declared or proposed) per share	HK\$0.2320	HK\$0.0400	HK\$0.0400
Basic earnings per share			
Continuing operations	HK\$0.1669	HK\$0.1261	HK\$0.0809
Discontinued operations	HK\$0.0378	HK\$0.0145	HK\$0.0150
	<u>HK\$0.2047</u>	<u>HK\$0.1406</u>	<u>HK\$0.0959</u>
Diluted earnings per share			
Continuing operations	HK\$0.1660	HK\$0.1255	HK\$0.0809
Discontinued operations	HK\$0.0376	HK\$0.0145	HK\$0.0149
	<u>HK\$0.2036</u>	<u>HK\$0.1400</u>	<u>HK\$0.0958</u>

There were no exceptional items or extraordinary items because of size, nature or incidence during each of the three years ended 31 December 2014.

The auditor's reports of the Company for each of the year ended 31 December 2012, 2013 and 2014 do not contain any qualification.

Note 1

The Group discontinued the operation of Xi'an Lijun Pharmaceutical Co., Ltd. upon its disposal on 31 October 2014, which results in restatement of the figures for year ended 31 December 2012 for comparability.

2. FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below is the full text of the audited financial statements of the Group for the year ended 31 December 2014 extracted from the annual report of the Company for the year ended 31 December 2014.

Consolidated balance sheet

As at 31 December 2014

		As at 31 December 2014 HK\$'000	As at 31 December 2013 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights	6	223,715	386,295
Property, plant and equipment	7	2,551,898	2,438,408
Intangible assets	8	338,834	322,995
Deferred income tax assets	10	2,591	25,050
Available-for-sale financial assets	11	—	164
		<u>3,117,038</u>	<u>3,172,912</u>
Current assets			
Inventories	12	279,557	404,911
Trade and bills receivables	13	703,287	934,193
Prepayments, deposits and other receivables	14	372,549	144,913
Pledged bank deposits	15	—	90,051
Cash and cash equivalents	15	325,224	336,928
		<u>1,680,617</u>	<u>1,910,996</u>
Total assets		<u><u>4,797,655</u></u>	<u><u>5,083,908</u></u>

		As at 31 December 2014 HK\$'000	As at 31 December 2013 HK\$'000
	<i>Note</i>		
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	66,177	65,405
Reserves	17		
— Special dividend to be declared/ proposed final dividend	31	510,587	58,599
— Others		2,675,738	2,742,265
		3,252,502	2,866,269
Non-controlling interests		668	627
Total equity		<u>3,253,170</u>	<u>2,866,896</u>
LIABILITIES			
Non-current liabilities			
Borrowings	18	364,246	455,019
Deferred income tax liabilities	10	24,097	26,905
Deferred revenue	19	8,153	10,863
Post-employment benefit obligation	20	27	9,289
		396,523	502,076
Current liabilities			
Borrowings	18	507,681	732,774
Trade and bills payables	21	287,720	490,461
Advanced receipts from customers		8,706	36,503
Accruals and other payables	22	320,109	415,371
Income tax payable		23,746	39,827
		1,147,962	1,714,936
Total liabilities		<u>1,544,485</u>	<u>2,217,012</u>
Total equity and liabilities		<u>4,797,655</u>	<u>5,083,908</u>
Net current assets		<u>532,655</u>	<u>196,060</u>
Total assets less current liabilities		<u>3,649,693</u>	<u>3,368,972</u>

Balance sheet of the Company*As at 31 December 2014*

	<i>Note</i>	As at 31 December 2014 HK\$'000	As at 31 December 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,153	634
Investments in subsidiaries and advance to a subsidiary	9	1,007,455	1,264,848
		<u>1,009,608</u>	<u>1,265,482</u>
Current assets			
Dividends receivable		130,336	257,148
Prepayments, deposits and other receivables	14	278,941	536
Amounts due from subsidiaries	9	270,214	50,740
Cash and cash equivalents	15	175,459	1,583
		<u>854,950</u>	<u>310,007</u>
Total assets		<u><u>1,864,558</u></u>	<u><u>1,575,489</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	66,177	65,405
Reserves	17		
— Special dividend to be declared/ proposed final dividend	31	510,587	58,599
— Others		1,275,428	1,450,012
Total equity		<u>1,852,192</u>	<u>1,574,016</u>
LIABILITIES			
Current liabilities			
Accruals and other payables	22	12,366	1,473
		<u>12,366</u>	<u>1,473</u>
Total liabilities		<u>12,366</u>	<u>1,473</u>
Total equity and liabilities		<u><u>1,864,558</u></u>	<u><u>1,575,489</u></u>
Net current assets		<u>842,584</u>	<u>308,534</u>
Total assets less current liabilities		<u><u>1,852,192</u></u>	<u><u>1,574,016</u></u>

Consolidated statement of comprehensive income*For the year ended 31 December 2014*

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations			
Revenue	23	2,091,471	1,723,256
Cost of sales	25	<u>(1,026,068)</u>	<u>(894,677)</u>
Gross profit		1,065,403	828,579
Selling and marketing costs	25	(262,716)	(248,564)
General and administrative expenses	25	(221,658)	(178,368)
Other income and other gains — net	24	<u>40,475</u>	<u>72,332</u>
Operating profit		<u>621,504</u>	<u>473,979</u>
Finance income	26	8,425	8,556
Finance costs	26	<u>(49,779)</u>	<u>(40,243)</u>
Finance costs — net		<u>(41,354)</u>	<u>(31,687)</u>
Profit before income tax		580,150	442,292
Income tax expense	27	<u>(88,582)</u>	<u>(72,987)</u>
Profit for the year from continuing operations		491,568	369,305
Discontinued operations			
Profit for the year from discontinued operations	33	<u>111,404</u>	<u>42,513</u>
Profit for the year		<u>602,972</u>	<u>411,818</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(16,889)</u>	<u>83,180</u>
Total comprehensive income for the year		<u><u>586,083</u></u>	<u><u>494,998</u></u>

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit attributable to:			
Equity holders of the Company		602,929	411,814
Non-controlling interests		43	4
		<u>602,972</u>	<u>411,818</u>
Profit attributable to equity holders of the Company arises from:			
Continuing operations		491,525	369,301
Discontinued operations		111,404	42,513
		<u>602,929</u>	<u>411,814</u>
Total comprehensive income attributable to:			
Equity holders of the Company		586,042	494,975
Non-controlling interests		41	23
		<u>586,083</u>	<u>494,998</u>
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company for the year			
Basic earnings per share			
From continuing operations	<i>30</i>	0.1669	0.1261
From discontinued operations	<i>30</i>	0.0378	0.0145
From profit for the year		<u>0.2047</u>	<u>0.1406</u>
Diluted earnings per share			
From continuing operations	<i>30</i>	0.1660	0.1255
From discontinued operations	<i>30</i>	0.0376	0.0145
From profit for the year		<u>0.2036</u>	<u>0.1400</u>
		2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividends (paid, to be declared or proposed)	<i>31</i>	<u>688,159</u>	<u>117,198</u>

Consolidated statement of changes in equity*For the year ended 31 December 2014*

	Attributable to equity holders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
Balance at 1 January 2013	65,405	2,423,087	2,488,492	604	2,489,096
Comprehensive income					
Profit for the year	—	411,814	411,814	4	411,818
Other comprehensive income					
Currency translation differences	—	83,161	83,161	19	83,180
Total comprehensive income	—	494,975	494,975	23	494,998
Transactions with equity holders					
Dividends paid to equity holders of the Company	—	(117,198)	(117,198)	—	(117,198)
Total transactions with equity holders	—	(117,198)	(117,198)	—	(117,198)
Balance at 31 December 2013	<u>65,405</u>	<u>2,800,864</u>	<u>2,866,269</u>	<u>627</u>	<u>2,866,896</u>
Balance at 1 January 2014	65,405	2,800,864	2,866,269	627	2,866,896
Comprehensive income					
Profit for the year	—	602,929	602,929	43	602,972
Other comprehensive income					
Currency translation differences	—	(16,887)	(16,887)	(2)	(16,889)
Total comprehensive income	—	586,042	586,042	41	586,083
Transactions with equity holders					
Purchase of treasury shares	—	(34,838)	(34,838)	—	(34,838)
Cancellation of treasury shares	(188)	188	—	—	—
Issuance of shares — exercise of share options	960	70,240	71,200	—	71,200
Dividends paid to equity holders of the Company	—	(236,171)	(236,171)	—	(236,171)
Total transactions with equity holders	<u>772</u>	<u>(200,581)</u>	<u>(199,809)</u>	<u>—</u>	<u>(199,809)</u>
Balance at 31 December 2014	<u>66,177</u>	<u>3,186,325</u>	<u>3,252,502</u>	<u>668</u>	<u>3,253,170</u>

Consolidated cash flow statement*For the year ended 31 December 2014*

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations	32(a)	508,688	716,342
Interest paid		(73,499)	(50,680)
Income tax paid		(127,582)	(67,740)
Net cash generated from operating activities		<u>307,607</u>	<u>597,922</u>
Cash flows from investing activities			
Purchase of land use rights		(60,619)	(144,748)
Purchase of property, plant and equipment		(767,488)	(758,529)
Purchase of intangible assets		(24,853)	(6,411)
Proceeds from disposals of property, plant and equipment	32(b)	66,186	26,180
Purchase of financial assets at fair value through profit or loss		(44,943)	(72,750)
Proceeds from sale of financial assets at fair value through profit or loss		45,196	72,105
Interest received		4,233	1,557
Proceeds from government grants related to equipment		10,135	—
Proceeds from disposal of a subsidiary	32(c)	375,748	—
Net cash used in investing activities		<u>(396,405)</u>	<u>(882,596)</u>
Cash flows from financing activities			
Proceeds from exercise of share options		71,200	—
Purchase of treasury shares		(34,838)	—
Proceeds from bank borrowings		1,177,359	912,675
Repayments of bank borrowings		(993,890)	(579,095)
Dividends paid to equity shareholders of the Company		(236,171)	(117,198)
Proceeds from suppliers' cash discount		4,518	—
Decrease/(Increase) of pledged bank deposits		90,051	(14,401)
Net cash generated from financing activities		<u>78,229</u>	<u>201,981</u>
Net decrease in cash and cash equivalents		(10,569)	(82,693)
Cash and cash equivalents at beginning of the year		336,928	411,783
Effect of foreign exchange rate changes on cash and cash equivalents		(1,135)	7,838
Cash and cash equivalents at end of the year		<u><u>325,224</u></u>	<u><u>336,928</u></u>

Notes to the consolidated financial statements

For the year ended 31 December 2014

(All amounts in HK\$ unless otherwise stated)

1. General information

Lijun International Pharmaceutical (Holding) Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are engaged in the research, development, manufacturing and selling of a wide range of finished medicines and bulk pharmaceutical products to hospitals and distributors. The Group has manufacturing plants in Hebei Province and Shaanxi Province, the People’s Republic of China (“PRC” or the “Mainland China”), and sells to customers mainly in the Mainland China.

The Company is an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of Cayman Islands. The address of the Company’s registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 20 December 2005.

These consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Company’s Board of Directors on 27 March 2015.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2014:

- Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.
- Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

- (b) Standards, amendments and interpretations to existing standards effective in 2014 but not relevant to the Group.

		Effective for annual periods beginning on or after
Amendment to HKAS 39	Financial instruments: Recognition and measurement, on novation of derivatives	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27	Consolidation for investment entities	1 January 2014
HK (IFRIC) Interpretation 21 “Levies”	Provisions, contingent liabilities and contingent assets	1 January 2014

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefits	1 July 2014
Amendments to HKAS 1	Presentation of financial statements	1 January 2016
Amendments to HKFRS 10	Consolidated financial statements	1 January 2016
Amendment to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKFRS 12	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendment to HKAS 27	Consolidated and separate financial statements	1 January 2016
Amendments to HKAS 28	Investment in associates	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
Amendments to HKAS 41	Agriculture	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2010-2012 reporting cycle, 2011-2013 reporting cycle, 2012-2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

	Effective for annual periods beginning on or after
HKFRS 2 Share-based payment	1 July 2014
HKFRS 3 Business combinations	1 July 2014
HKFRS 8 Operating segments	1 July 2014
HKFRS 9 Financial instruments	1 July 2014
HKFRS 13 Fair value measurement	1 July 2014
HKAS 16 Property, plant and equipment	1 July 2014
HKAS 24 Related Party Disclosures	1 July 2014
HKAS 37 Provisions, contingents liabilities and contingent assets	1 July 2014
HKAS 38 Intangible assets	1 July 2014
HKAS 39 Financial instrument — recognition and measurement	1 July 2014
HKAS 40 Investment property	1 July 2014
HKFRS 5 Non-current assets held for sale and discontinued operations	1 July 2016
HKFRS 7 Financial instruments: Disclosures	1 July 2016
HKAS 19 Employee benefits	1 July 2016
HKAS 34 Interim financial reporting	1 July 2016

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statements. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

(d) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap.

622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 *Subsidiaries*

2.2.1 *Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration

that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income (Note 2.7).

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts represented by subsidiaries have been adjusted to conform with the Group's accounting policies.

- (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.4 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is HK dollars (HK\$) and the functional currency of the majority of the Group's companies is Renminbi ("RMB"). The consolidated financial statements are presented in HK\$.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and other gains — net'.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 *Property, plant and equipment*

Property, plant and equipments are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	10-40 years
– Plant, machinery and tools	5-18 years
– Furniture, fixtures and office equipment	5-10 years
– Vehicles	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net', in the consolidated statement of comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.6 Land use rights

All land in the Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepayment for operating leases and recorded as land use rights, which are amortised to the consolidated statement of comprehensive income on a straight-line basis over the periods of the leases, or when there is impairment, the impairment losses is changed in the consolidated statement of comprehensive income.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Trademarks and patents*

Separately acquired trademarks and patents are shown at historical cost less accumulated amortisation and accumulated impairment losses, if any. Trademarks and patents acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks and patents have finite useful lives. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives, as follows:

– Trademarks	50 years
– Patents	8-10 years

(c) *Customer relationships*

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date attributable to customer base or existing contractual bids with customers taken over in connection with business combinations. Customer relationships have finite useful lives. Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives of 5 years.

(d) *Computer softwares*

Acquired computer softwares are capitalised on the basis of the costs incurred to acquire and bring to use the specific softwares. These costs are amortised over their estimated useful lives (5-10 years).

(e) *Research and development costs*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- (i) it is technically feasible to complete the intangible asset so that it will be available for use;
- (ii) management intends to complete the intangible asset and use it;

- (iii) there is an ability to use the intangible asset;
- (iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use the intangible asset are available; and
- (vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding ten years.

2.8 *Impairment of non-financial assets*

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

2.9 *Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

2.10 *Financial assets*

2.10.1 *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and bill receivables', other receivables in the 'Prepayments, deposits and other receivables', 'pledged bank deposits', and 'cash and cash equivalents' in the balance sheet (Notes 2.14 and 2.15 respectively).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2.10.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried

at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other gains and income when the Group's right to receive payments is established.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of 'other gains – net' when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) *Available-for-sale financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Company and its subsidiaries operate

and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 *Employee benefits*

(a) *Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

(i) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group has arranged for its Hong Kong employees to join the Hong Kong Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK\$1,500 (changed from HK\$1,250 since July 2014) per person per month and any excess contributions are voluntary. The Group has no further obligations for post-retirement benefit beyond the contributions.

As stipulated by the rules and regulations in the Mainland China, the Group has participated in state-sponsored defined contribution retirement schemes for its employees in Mainland China. The Group’s employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to a cap), while the Group contributes 20% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

(ii) Post-employment benefits

Some group companies provide post-retirement benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The liability recognised in the balance sheet in respect of post-employment benefits is the present value of these benefits obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. These obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of comprehensive income in the period in which they arise.

Past service cost is the change in the present value of these benefits obligations resulting from a plan amendment or curtailment. Past service cost is recognised as an expense at the earlier of the following dates: when the plan amendment or curtailment occurs; and when related restructuring costs or termination benefits is recognised. A plan amendment occurs when the Group introduces, or withdraws these post-employment benefits or changes the benefits payable under an existing benefit plan. A curtailment occurs when the Group significantly reduces the number of employees covered by a plan. A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan.

Past-service costs are recognised immediately in the consolidated statement of comprehensive income, unless the changes to the post-employment benefits are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(b) *Share-based compensation*

(i) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(ii) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) *Bonus plan*

The Group recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 *Provisions*

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one items included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Government grants

Government grants in the form of subsidy or financial refund are recognised when there is a reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.

Grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to purchases of land use rights and property, plant and equipment are included in non-current liabilities and recognised in the consolidated statement of comprehensive income over the life of depreciable assets by way of a reduced depreciation or amortisation charge.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement:

- (i) Revenue from the sale of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when a group company has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.
- (ii) Rental income is recognised on a straight-line basis over the terms of the leases.

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(b) As a lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. The revenue from operating lease is charge to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.28 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.29 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by certain board members under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the Mainland China, with most of its transactions denominated and settled in RMB. The Group is exposed to foreign exchange risk primarily arising from HK\$ since certain cash and cash equivalents and borrowings are denominated in HK\$. The Group is also exposed to foreign exchange risk through transactions that are denominated in a currency other than the functional currencies of the Company and its subsidiaries.

The Group manages its foreign exchange risks by performing regular review and monitoring its foreign currency exposures. It has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

At 31 December 2014, if RMB had strengthened/weakened by 5% against the HK\$ with all other variables held constant, the Group's profit before tax for the year would have been HK\$15,213,931 (31 December 2013: HK\$9,456,819 higher/lower) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated cash and cash equivalents, trade and bills receivables, trade and bills payables, and borrowings.

(ii) Price risk

The Group is exposed to equity securities price risk because certain investments held by the Group are classified on the consolidated balance sheet as at fair value through profit or loss. The Group has not hedged its price risk arising from investments in financial assets at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

Except for its pledged bank deposits and cash at banks totalled HK\$325,216,000 as at 31 December 2014 (31 December 2013: HK\$426,830,000), which carried a weighted average interest rate of 1.22% (31 December 2013: 0.42%) per annum, the Group has no significant interest-bearing assets.

The Group's interest bearing liabilities are bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2014, if interest rate had increased/decreased by 0.5 percentage-point and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2014 would have been decreased/increased by approximately HK\$2,075,000 (31 December 2013: 0.5 percentage-point, HK\$1,891,000). This relates primarily to interest expense on floating rate bank borrowings.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amounts of its pledged bank deposits, cash and cash equivalents, trade and bills receivables, and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets.

Debtors of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

As at 31 December 2014, 93% (31 December 2013: 82%) of the Group's bank deposits are placed in major financial institutions located in the PRC and Hong Kong, which management believes

are of high credit quality without significant credit risk. The Group also has policies that limit the amount of credit exposure to any financial institution, subject to periodic review.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
State-owned banks	82,522	88,822
Listed banks	221,436	187,238
Other financial institutions	<u>21,258</u>	<u>60,719</u>
Total	<u><u>325,216</u></u>	<u><u>336,779</u></u>

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. It performs periodic credit evaluations/reviews of its customers (Note 13). As at 31 December 2014, majority of trade receivables are due from customers having an appropriate credit history.

As at 31 December 2014, 26% (31 December 2013: 33%) of the Group's total trade and bills receivables are bank acceptance notes, the credit risks of which rest with the acceptance banks. The directors of the Company are satisfied that the risks arising from those notes are minimal considering the credit quality of the acceptance banks.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow. The Group aims to maintain flexibility in funding by keeping adequate banking facilities available.

The table below analyses the Group's financial liabilities (including contractually committed interest payments) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	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>	More than 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2014					
Borrowings	507,681	175,369	143,243	45,634	871,927
Interests payables on borrowings	33,241	15,087	21,550	2,780	72,658
Trade and bills payables	287,720	—	—	—	287,720
Accruals and other payables	244,722	—	—	—	244,722
	<u>1,073,364</u>	<u>190,456</u>	<u>164,793</u>	<u>48,414</u>	<u>1,477,027</u>
At 31 December 2013					
Borrowings	732,774	246,098	154,611	54,310	1,187,793
Interests payables on borrowings	49,600	14,588	17,480	5,166	86,834
Trade and bills payables	490,461	—	—	—	490,461
Accruals and other payables	304,932	—	—	—	304,932
	<u>1,577,767</u>	<u>260,686</u>	<u>172,091</u>	<u>59,476</u>	<u>2,070,020</u>

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital less non-controlling interests. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital less non-controlling interests is calculated as total equity less non-controlling interests plus net debt.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total borrowings (<i>Note 18</i>)	871,927	1,187,793
<i>Less: Cash and cash equivalents</i> <i>(Note 15)</i>	<u>(325,224)</u>	<u>(336,928)</u>
Net debt	<u>546,703</u>	<u>850,865</u>
Total equity less non-controlling interests	<u>3,252,502</u>	<u>2,866,269</u>
Total capital less non-controlling interests	<u>3,799,205</u>	<u>3,717,134</u>
Gearing ratio	<u>14.4%</u>	<u>22.9%</u>

The decrease in the gearing ratio during 2014 resulted primarily from the disposal of a subsidiary (*Note 32(c)*).

3.3 *Fair value estimation*

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of 31 December 2014, the Group did not have any financial instruments carried at fair value (31 December 2013: Nil).

The carrying values of receivables (net of impairment provision) and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

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

The 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.

(a) Impairment of goodwill

The Group's management tests annually whether goodwill has suffered any impairment. In accordance with the accounting policy stated in Note 2.7. The recoverable amount of CGUs has been determined based on the higher of value in use and fair value less costs of disposal.

The Group measured the value in use and fair value less costs of disposal of by discounting the future estimated cash flow deriving from the CGUs. These calculations required the Group to estimate the expected future cash flows from the CGUs and also to apply a suitable discount rate in order to calculate the present value of those cash flows.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Useful lives of property, plant and equipments

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

(c) *Impairment of receivables*

The Group's management determines the provision for impairment of trade, bills and other receivables based on an assessment of the recoverability of the receivables. These estimates are based on the credit history of its customers and other debtors and current market condition. The Group's management reassesses the provision at each balance sheet date.

(d) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in industry environment and competitor actions. Management reassesses the estimates at each balance sheet date.

(e) *Current tax and deferred tax*

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(f) *Estimated impairment of property, plant and equipment*

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

5. Segment information – Group

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from a product perspective, which assesses the performance of two product segments, namely intravenous infusion solution and others, and antibiotics and others. The entire product segment of antibiotics and others was disposed during the year ended 31 December 2014 along with the disposal of a subsidiary (Note 32(c)).

The executive directors assess the performance of the operating segments based on a measure of revenue and profit. This measurement is consistent with that in the annual consolidated financial statements.

Unallocated operating loss was mainly attributable to corporate expenses.

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, trade and bill receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Unallocated assets mainly comprise corporate cash.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2014 is as follows:

	Continuing operations			Discontinued operations — Antibiotics and others HK\$'000
	Intravenous infusion solution and others HK\$'000	Unallocated HK\$'000	Total HK'000	
Revenue	<u>2,091,471</u>	<u>—</u>	<u>2,091,471</u>	<u>831,904</u>
Operating profit segment results	639,577	(18,073)	621,504	74,619
Finance income	7,956	469	8,425	326
Finance costs	<u>(46,276)</u>	<u>(3,503)</u>	<u>(49,779)</u>	<u>(15,309)</u>
Profit before income tax	601,257	(21,107)	580,150	59,636
Income tax expense	<u>(75,217)</u>	<u>(13,365)</u>	<u>(88,582)</u>	<u>(9,296)</u>
Profit for the year	<u>526,040</u>	<u>(34,472)</u>	<u>491,568</u>	<u>50,340</u>
Net gain on disposal of investments in a subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>80,512</u>
Withholding tax charge related to dividends from a disposed subsidiary and other disposal related expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>(19,448)</u>
Total profit for the year	<u>526,040</u>	<u>(34,472)</u>	<u>491,568</u>	<u>111,404</u>

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2014 are as follows:

	Continuing operations			Discontinued operations — Antibiotics and others HK\$'000
	Intravenous infusion solution and others HK\$'000	Unallocated HK\$'000	Total HK\$'000	
	Amortisation of land use rights	4,176	—	
Depreciation of property, plant and equipment	152,327	437	152,764	26,214
Amortisation of intangible assets	3,550	—	3,550	1,080
Reversal of provision for write-down of inventories	—	—	—	(1,927)
Provision/(reversal of provision) for impairment of receivables	741	—	741	(680)
	<u>741</u>	<u>—</u>	<u>741</u>	<u>(680)</u>

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2013 is as follows:

	Continuing operations			Discontinued operations — Antibiotics and others HK\$'000
	Intravenous infusion solution and others HK\$'000	Unallocated HK\$'000	Total HK\$'000	
	Revenue	1,723,256	—	
Operating profit segment results	494,939	(20,960)	473,979	64,851
Finance income	8,555	1	8,556	554
Finance costs	(40,243)	—	(40,243)	(14,220)
Profit before income tax	463,251	(20,959)	442,292	51,185
Income tax expense	(72,987)	—	(72,987)	(7,180)
Profit for the year	<u>390,264</u>	<u>(20,959)</u>	<u>369,305</u>	<u>44,005</u>
Withholding tax charge related to dividends from a disposed subsidiary	—	—	—	(1,492)
Total profit for the year	<u>390,264</u>	<u>(20,959)</u>	<u>369,305</u>	<u>42,513</u>

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2013 are as follows:

	Continuing operations			Discontinued operations — Antibiotics and others HK\$'000
	Intravenous infusion solution and others HK\$'000	Unallocated HK\$'000	Total HK\$'000	
	Amortisation of land use rights	3,343	—	
Depreciation of property, plant and equipment	109,544	363	109,907	23,952
Amortisation of intangible assets	2,485	—	2,485	1,622
Provision for write-down of inventories	—	—	—	2,310
Provision/(reversal of provision) for impairment of receivables	687	—	687	(2,561)
	<u>687</u>	<u>—</u>	<u>687</u>	<u>(2,561)</u>

The segment assets and liabilities at 31 December 2014 are as follows:

	Continuing operations			Discontinued operations — Antibiotics and others HK\$'000
	Intravenous infusion solution and others HK\$'000	Unallocated HK\$'000	Total HK\$'000	
	Total assets	<u>4,341,102</u>	<u>456,553</u>	
Total liabilities	<u>1,532,119</u>	<u>12,366</u>	<u>1,544,485</u>	<u>—</u>
Additions to non-current assets	<u>872,047</u>	<u>1,956</u>	<u>874,003</u>	<u>46,610</u>

The segment assets and liabilities at 31 December 2013 are as follows:

	Continuing operations			Discontinued operations — Antibiotics and others <i>HK\$'000</i>
	Intravenous infusion solution and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>	
Total assets	<u>3,654,107</u>	<u>2,753</u>	<u>3,656,860</u>	<u>1,427,048</u>
Total liabilities	<u>1,740,963</u>	<u>1,473</u>	<u>1,742,436</u>	<u>474,576</u>
Additions to non-current assets	<u>848,287</u>	<u>—</u>	<u>848,287</u>	<u>205,263</u>

The total of non-current assets were as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total non-current assets other than deferred tax assets		
— Mainland China	3,112,294	3,147,228
— Hong Kong	2,153	634
Deferred tax assets	<u>2,591</u>	<u>25,050</u>
Total non-current assets	<u>3,117,038</u>	<u>3,172,912</u>

The executive directors have also determined that no geographical segment information is presented as over 95% of the Group's sales and operating profits are derived within the PRC and over 95% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

6. Land use rights – Group

	2014 HK\$'000	2013 HK\$'000
At 1 January		
Cost	420,351	265,037
Accumulated amortisation	<u>(34,056)</u>	<u>(25,796)</u>
Net book amount	<u>386,295</u>	<u>239,241</u>
Year ended 31 December		
Opening net book amount	386,295	239,241
Additions	60,619	144,748
Amortisation	(9,175)	(7,338)
Disposal of a subsidiary (<i>Note 32(c)</i>)	(211,654)	—
Currency translation differences	<u>(2,370)</u>	<u>9,644</u>
Closing net book amount	<u><u>223,715</u></u>	<u><u>386,295</u></u>
At 31 December		
Cost	241,346	420,351
Accumulated amortisation	<u>(17,631)</u>	<u>(34,056)</u>
Net book amount	<u><u>223,715</u></u>	<u><u>386,295</u></u>

Land use rights are located in Hebei Province and Shaanxi Province, the Mainland China, and are held on leases of 37 to 50 years from the dates of acquisition.

As at 31 December 2014, the Group's land use rights with net book amount of HK\$60,760,000 (31 December 2013: HK\$72,647,000) were pledged as collateral for the Group's bank borrowings (Note 18).

For the year ended 31 December 2014, amortisation of land use rights of HK\$4,176,000 (2013: HK\$3,343,000) was recognised in general and administrative expenses and remaining HK\$4,999,000 (2013: HK\$3,995,000) was included in "profit for the year from discontinued operations".

7. Property, plant and equipment

Group

	Buildings <i>HK\$'000</i>	Plant, Machinery and tools <i>HK\$'000</i>	Furniture, Fixtures and office equipment <i>HK\$'000</i>	Vehicles <i>HK\$'000</i>	Construction- In-progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013						
Cost	741,002	1,148,446	102,960	56,245	251,318	2,299,971
Accumulated depreciation	(137,597)	(445,990)	(49,241)	(31,120)	—	(663,948)
Impairment losses	—	(5,799)	—	—	—	(5,799)
Net book amount	<u>603,405</u>	<u>696,657</u>	<u>53,719</u>	<u>25,125</u>	<u>251,318</u>	<u>1,630,224</u>
Year ended 31 December 2013						
Opening net book amount	603,405	696,657	53,719	25,125	251,318	1,630,224
Additions	893	126,534	24,502	8,072	742,390	902,391
Transfers	(16,595)	11,228	35	230	5,102	—
Disposals	—	(21,877)	(1,021)	(315)	—	(23,213)
Depreciation	(29,013)	(84,247)	(14,321)	(6,278)	—	(133,859)
Currency translation differences	18,195	22,483	1,800	813	19,574	62,865
Closing net book amount	<u>576,885</u>	<u>750,778</u>	<u>64,714</u>	<u>27,647</u>	<u>1,018,384</u>	<u>2,438,408</u>
At 31 December 2013						
Cost	747,668	1,272,167	128,945	65,004	1,018,384	3,232,168
Accumulated depreciation	(170,783)	(515,634)	(64,231)	(37,357)	—	(788,005)
Impairment losses	—	(5,755)	—	—	—	(5,755)
Net book amount	<u>576,885</u>	<u>750,778</u>	<u>64,714</u>	<u>27,647</u>	<u>1,018,384</u>	<u>2,438,408</u>
Year ended 31 December 2014						
Opening net book amount	576,885	750,778	64,714	27,647	1,018,384	2,438,408
Additions	85,464	349,588	56,327	7,637	336,125	835,141
Transfers	533,070	299,629	23,900	—	(856,599)	—
Disposals	(4,976)	(53,891)	(2,832)	(365)	—	(62,064)
Depreciation	(39,667)	(122,839)	(9,931)	(6,541)	—	(178,978)
Disposal of a subsidiary (Note 32(c))	(238,848)	(184,550)	(6,482)	(9,695)	(29,438)	(469,013)
Currency translation differences	(3,831)	(4,304)	(360)	(143)	(2,958)	(11,596)
Closing net book amount	<u>908,097</u>	<u>1,034,411</u>	<u>125,336</u>	<u>18,540</u>	<u>465,514</u>	<u>2,551,898</u>
At 31 December 2014						
Cost	1,016,819	1,346,805	160,600	35,082	465,514	3,024,820
Accumulated depreciation	(108,722)	(312,394)	(35,264)	(16,542)	—	(472,922)
Net book amount	<u>908,097</u>	<u>1,034,411</u>	<u>125,336</u>	<u>18,540</u>	<u>465,514</u>	<u>2,551,898</u>

The buildings are located in Hebei Province and Shaanxi Province, the Mainland China.

Construction-in-progress represents buildings under construction and plant and machinery pending installation. The buildings under construction are located in Hebei Province and Shaanxi Province, the Mainland China.

Depreciation expense recognised in the consolidated statement of comprehensive income is analysed as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
— Cost of sales	119,942	82,686
— Selling and marketing costs	3,242	2,565
— General and administrative expenses	29,580	24,656
	<u>152,764</u>	<u>109,907</u>
Discontinued operations	<u>26,214</u>	<u>23,952</u>
	<u>178,978</u>	<u>133,859</u>

As at 31 December 2014, buildings, plant, machinery and tools with a net book amount of HK\$301,820,000 (31 December 2013: HK\$418,769,000) were pledged as collateral for the Group's bank borrowings (Note 18).

During the year, the Group has capitalised borrowing costs amounting to HK\$15,761,000 (2013: Nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its borrowings of 6.29% (2013: Nil) per annum.

Company

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013			
Cost	2,962	2,227	5,189
Accumulated depreciation	<u>(1,965)</u>	<u>(2,227)</u>	<u>(4,192)</u>
Net book amount	<u>997</u>	<u>—</u>	<u>997</u>
Opening net book amount	997	—	997
Depreciation	<u>(363)</u>	<u>—</u>	<u>(363)</u>
Closing net book amount	<u>634</u>	<u>—</u>	<u>634</u>
At 31 December 2013			
Cost	2,962	2,227	5,189
Accumulated depreciation	<u>(2,328)</u>	<u>(2,227)</u>	<u>(4,555)</u>
Net book amount	<u>634</u>	<u>—</u>	<u>634</u>
Year ended 31 December 2014			
Opening net book amount	634	—	634
Addition	1,956	—	1,956
Depreciation	<u>(437)</u>	<u>—</u>	<u>(437)</u>
Closing net book amount	<u>2,153</u>	<u>—</u>	<u>2,153</u>
At 31 December 2014			
Cost	4,918	2,227	7,145
Accumulated depreciation	<u>(2,765)</u>	<u>(2,227)</u>	<u>(4,992)</u>
Net book amount	<u>2,153</u>	<u>—</u>	<u>2,153</u>

8. Intangible assets – Group

	Goodwill HK\$'000	Trademark and patents HK\$'000	Softwares HK\$'000	Customer relationships HK\$'000	Internally generated research and development costs HK\$'000	Total HK\$'000
At 1 January 2013						
Cost	472,162	71,748	7,026	74,416	1,155	626,507
Accumulated amortisation	—	(16,113)	(1,462)	(74,416)	—	(91,991)
Impairment losses	(223,552)	—	—	—	—	(223,552)
Net book amount	<u>248,610</u>	<u>55,635</u>	<u>5,564</u>	<u>—</u>	<u>1,155</u>	<u>310,964</u>
Year ended 31 December 2013						
Opening net book amount	248,610	55,635	5,564	—	1,155	310,964
Addition	—	125	1,327	—	4,959	6,411
Amortisation	—	(3,083)	(1,024)	—	—	(4,107)
Currency translation differences	7,738	1,697	179	—	113	9,727
Closing net book amount	<u>256,348</u>	<u>54,374</u>	<u>6,046</u>	<u>—</u>	<u>6,227</u>	<u>322,995</u>
At 31 December 2013						
Cost	511,017	74,122	8,593	—	6,227	599,959
Accumulated amortisation	—	(19,748)	(2,547)	—	—	(22,295)
Impairment losses	(254,669)	—	—	—	—	(254,669)
Net book amount	<u>256,348</u>	<u>54,374</u>	<u>6,046</u>	<u>—</u>	<u>6,227</u>	<u>322,995</u>
Year ended 31 December 2014						
Opening net book amount	256,348	54,374	6,046	—	6,227	322,995
Addition	—	13,833	322	—	10,698	24,853
Amortisation	—	(3,259)	(1,113)	—	(258)	(4,630)
Disposal of a subsidiary (Note 32(c))	—	—	(3,252)	—	—	(3,252)
Currency translation differences	(858)	(201)	(35)	—	(38)	(1,132)
Closing net book amount	<u>255,490</u>	<u>64,747</u>	<u>1,968</u>	<u>—</u>	<u>16,629</u>	<u>338,834</u>
At 31 December 2014						
Cost	509,307	87,641	4,177	76,489	16,629	694,243
Accumulated amortisation	—	(22,894)	(2,209)	(76,489)	—	(101,592)
Impairment losses	(253,817)	—	—	—	—	(253,817)
Net book amount	<u>255,490</u>	<u>64,747</u>	<u>1,968</u>	<u>—</u>	<u>16,629</u>	<u>338,834</u>

For the year ended 31 December 2014, amortisation of intangible assets of HK\$3,550,000 (2013: HK\$2,485,000) was recognised in general and administrative expenses and remaining HK\$1,080,000 (2013: HK\$1,622,000) was included in “profit for the year from discontinued operations”.

Impairment test of goodwill:

Goodwill is allocated to the intravenous infusion solution and others segment in the Mainland China, the CGU identified.

The CGU's annual impairment review resulted in no impairment charge for 2014 (2013: Nil). The recoverable amount of the CGU has been assessed by reference to fair value less costs of disposal.

In arriving at fair value less costs of disposal, a post-tax discount rate of 12.3% per cent has been applied to the post-tax cash flows expressed in real terms. Fair value less costs of disposal was determined by using cash flows projection based on financial budgets covering a period of 5 years, taking into account of past experience, long term production plans, market condition and industry trend. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the 5th year, incorporating an annual real-term growth rate of 3 per cent, with a corresponding increase in capital expenditure to support the real term growth rate. The operating cost levels included in the fair value assessment are calculated based on intravenous infusion solution and others segment's long term production plans.

The key assumptions used for fair value less costs of disposal calculations are as follows:

	2014	2013
Gross profit margin in the next five years	43.7%-47.8%	40.3%-47.8%
Growth rate in the next five years	12%-24%	8%-32%
Perpetual growth rate	3%	3%
Post-tax discount rate	<u>12.3%</u>	<u>12.9%</u>

The growth rate used is consistent with the forecasts included in industry reports. The discount rate used is post-tax and reflect specific risks relating to the operating segment.

The recoverable amount of the CGU calculated based on fair value less costs of disposal well exceeds its carrying value as at 31 December 2014.

9. Investments in subsidiaries and advance to a subsidiary – Company

	2014	2013
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Investments in unlisted shares, at cost	813,926	1,248,788
Advance to a subsidiary – non-current	<u>193,529</u>	<u>16,060</u>
	<u>1,007,455</u>	<u>1,264,848</u>

Advance to a subsidiary represents equity funding provided by the Company and is measured in accordance with the Company's accounting policy for investments in subsidiaries. It is unsecured and non-interest bearing.

The details of the Company's principal subsidiaries at 31 December 2014 and 2013, all of which are unlisted, are as follow:

Name	Place of incorporation and type of legal entity	Principal activities and place of operations	Particulars of issued and fully paid share capital	Interest held	
				2014	2013
New Orient Investments Pharmaceutical Holding (Hong Kong) Limited	Limited liability company incorporated in Samoa	Investment holding company in Hong Kong	United States Dollar ("USD") 1	100% (Directly held)	100% (Directly held)
Xi'an Lijun Pharmaceutical Co., Ltd.	Limited liability company incorporated in Mainland China	Manufacturing and sale of pharmaceutical products in Shaanxi Province, Mainland China	RMB330,000,000	Nil	100% (Directly held)
Shijiazhuang No. 4 Pharmaceutical Co., Ltd.	Limited liability company incorporated in Mainland China	Manufacturing and sale of pharmaceutical products in Hebei Province, Mainland China	RMB400,000,000	100% (Indirectly held)	100% (Indirectly held)
Hebei Guolong Pharmaceutical Co., Ltd.	Limited liability company incorporated in Mainland China	Manufacturing and sale of pharmaceutical products in Hebei Province, Mainland China	RMB50,000,000	100% (Indirectly held)	100% (Indirectly held)
Hebei Jinmen Pharmaceutical Import & Export Co., Ltd.	Limited liability company incorporated in Mainland China	Trading in Mainland China	RMB5,000,000	100% (Indirectly held)	100% (Indirectly held)

Name	Place of incorporation and type of legal entity	Principal activities and place of operations	Particulars of issued and fully paid share capital	Interest held	
				2014	2013
Hebei Guangxiang Pharmaceutical Technology Co., Ltd.	Limited liability company incorporated in Mainland China	Pharmaceutical technology research and development and consulting	RMB3,000,000	100% (Indirectly held)	100% (Indirectly held)
Hebei Guangxiang Logistics Co., Ltd.	Limited liability company incorporated in Mainland China	Logistics of pharmaceutical products in Mainland China	RMB3,000,000	83.33% (Indirectly held)	83.33% (Indirectly held)
Shijiazhuang Guangxiang Catering Co., Ltd.	Limited liability company incorporated in Mainland China	Food and beverages	RMB200,000	100% (Indirectly held)	Nil

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2014 (31 December 2013: None).

Amounts due from subsidiaries — current

These balances are unsecured, non-interest bearing and without pre-determined repayment terms.

10. Deferred income tax – Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014 HK\$ '000	2013 HK\$ '000
Deferred tax assets:		
— to be recovered after more than 12 months	2,591	2,196
— to be recovered within 12 months	—	22,854
	<u>2,591</u>	<u>25,050</u>
Deferred tax liabilities:		
— to be settled after more than 12 months	23,667	26,464
— to be settled within 12 months	430	441
	<u>24,097</u>	<u>26,905</u>
Deferred tax liabilities — net	<u>21,506</u>	<u>1,855</u>

The gross movements in the deferred income tax account are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Beginning of the year	1,855	2,608
Credited to income tax expense	(1,030)	(1,546)
(Credited)/charged to profit for the year from discontinued operations	(1,402)	436
Reduction of deferred tax assets upon disposal of a subsidiary (<i>Note 32(c)</i>)	21,990	—
Currency translation differences	93	357
End of the year	<u>21,506</u>	<u>1,855</u>

The movements in deferred tax assets are as follows:

	Accrued expenses <i>HK\$'000</i>	Provision for asset impairment <i>HK\$'000</i>	Post- employment benefits <i>HK\$'000</i>	Deductible losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	9,038	9,362	2,757	18	21,175
Credited/(charged) to the consolidated statement of comprehensive income	4,297	(306)	(502)	8	3,497
Currency translation differences	11	288	78	1	378
At 31 December 2013	13,346	9,344	2,333	27	25,050
(Charged)/credited to the consolidated statement of comprehensive income	(1,513)	876	349	—	(288)
Disposal of a subsidiary (<i>Note 32(c)</i>)	(9,571)	(9,757)	(2,662)	—	(21,990)
Currency translation differences	(85)	(76)	(20)	—	(181)
At 31 December 2014	<u>2,177</u>	<u>387</u>	<u>—</u>	<u>27</u>	<u>2,591</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The Group did not recognise cumulative deferred tax assets of HK\$36,875,000 (31 December 2013: HK\$32,821,000) in respect of losses amounted to HK\$223,485,000 (31 December 2013: HK\$198,915,000) that can be carried forward against future taxable income as at 31 December 2014.

The movements in deferred tax liabilities are as follows:

	Revaluation of assets on acquisition	Withholding tax (Note 27)	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	23,783	—	23,783
(Credited)/charged to the consolidated statement of comprehensive income	(589)	2,976	2,387
Currency translation differences	781	(46)	735
At 31 December 2013	23,975	2,930	26,905
Credited to the consolidated statement of comprehensive income	(1,210)	(1,509)	(2,719)
Currency translation differences	(123)	34	(89)
At 31 December 2014	<u>22,642</u>	<u>1,455</u>	<u>24,097</u>

As at 31 December 2014, deferred income tax liabilities of HK\$76,922,000 (31 December 2013: HK\$63,950,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled HK\$1,538,443,000 (31 December 2013: HK\$1,279,005,000) at 31 December 2014.

11. Available-for-sale financial assets – Group

	2014 HK\$'000	2013 HK\$'000
Beginning of the year	164	159
Disposal of a subsidiary (Note 32(c))	(163)	—
Currency translation differences	(1)	5
End of the year	<u>—</u>	<u>164</u>

As at 31 December 2014, there is no available-for-sale financial asset.

As at 31 December 2013, available-for-sale financial asset amounting to HK\$164,000 represents a 14.73% equity interest in Xi'an Lijun Transportation Co., Ltd., which is an unlisted company. Since the range of reasonable fair value estimate is insignificant and the probabilities of various estimates cannot be reasonably assessed, the available-for-sale financial asset is carried at cost less accumulated impairment losses.

12. Inventories – Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Raw materials	123,327	163,777
Work in progress	7,174	28,704
Finished goods	<u>149,056</u>	<u>212,430</u>
	<u><u>279,557</u></u>	<u><u>404,911</u></u>

The Group recorded a reversal of provision for write-down of inventories of HK\$1,927,000 (2013: provision for write-down of inventories of HK\$2,310,000) during the year ended 31 December 2014. The provision has been included in cost of sales.

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$652,332,000 (2013: HK\$579,763,000) and HK\$371,977,000 (2013: HK\$487,267,000) in “profit for the year from discontinued operations” respectively.

13. Trade and bills receivables – Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	520,114	646,685
Bills receivable	<u>185,753</u>	<u>320,107</u>
	705,867	966,792
<i>Less: Provision for impairment</i>	<u>(2,580)</u>	<u>(32,599)</u>
	<u><u>703,287</u></u>	<u><u>934,193</u></u>

The fair values of trade and bills receivables approximate their carrying amounts.

The Group generally requires its customers to settle sales invoices within 3 months. Ageing analysis of trade and bills receivables based on revenue recognition date is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 3 months	622,886	776,761
4 to 6 months	67,093	77,251
7 to 12 months	14,791	51,176
1 to 2 years	1,097	29,557
2 to 3 years	—	22,477
More than 3 years	—	9,570
	<u>705,867</u>	<u>966,792</u>

As at 31 December 2014, trade receivables of HK\$80,401,000 (2013: HK\$128,427,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
4 to 6 months	67,093	77,251
7 to 12 months	13,308	51,176
	<u>80,401</u>	<u>128,427</u>

As at 31 December 2014, impaired trade receivables amounting to approximately HK\$2,580,000 (31 December 2013: HK\$61,604,000) were assessed for impairment and a provision of HK\$2,580,000 (31 December 2013: HK\$32,599,000) for impaired receivables was recorded, covering individually impaired receivables and groups of receivables subject to collective review. Those individually impaired receivables mainly relate to customers in unexpected difficult economic situations and items aged over one year.

The ageing of individually impaired receivables and an estimate of expected recovery are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
7 to 12 months	1,483	—
1 to 2 years	1,097	29,557
2 to 3 years	—	22,477
More than 3 years	—	9,570
	<u>2,580</u>	<u>61,604</u>
<i>Less:</i> Expected recovery	<u>—</u>	<u>(29,005)</u>
Impairment provision made	<u><u>2,580</u></u>	<u><u>32,599</u></u>

The expected recovery was assessed, based on the collateral or other credit enhancement held by the Group, repayment progress, and available information on subsequent repayment.

Movements of provision for impairment of trade receivables are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Beginning of the year	32,599	35,042
Provision/(Reversal of provision) for impairment of trade receivables	1,178	(3,486)
Disposal of a subsidiary (<i>Note 32(c)</i>)	(30,944)	—
Currency translation differences	(253)	1,043
	<u>2,580</u>	<u>32,599</u>
End of the year	<u><u>2,580</u></u>	<u><u>32,599</u></u>

The creation and release of provision for impaired receivables have been included in general and administrative expenses. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The Group's trade and bills receivables were denominated in the following currencies:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
RMB	701,817	949,326
USD	4,050	17,466
	<u>705,867</u>	<u>966,792</u>

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The Group does not hold any collateral as security.

14. Prepayments, deposits and other receivables

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Disposal consideration receivable (Note 32(c))	272,000	—	272,000	—
Amounts due from agent companies (Note 22)	54,116	87,452	—	—
Prepayments for purchases of inventories	9,108	13,682	—	—
Deposits	9,058	3,032	1,779	536
Staff advances	1,012	10,704	—	—
Prepaid advertising costs	815	432	—	—
Prepaid insurance costs	—	1,764	—	—
Amounts due from related parties (Note 34(c))	—	32	—	—
Others	26,524	32,312	5,162	—
	<u>372,633</u>	<u>149,410</u>	<u>278,941</u>	<u>536</u>
Less: Provision for impairment	<u>(84)</u>	<u>(4,497)</u>	<u>—</u>	<u>—</u>
	<u><u>372,549</u></u>	<u><u>144,913</u></u>	<u><u>278,941</u></u>	<u><u>536</u></u>

15. Pledged bank deposits and cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pledged bank deposits	—	90,051	—	—
Cash and cash equivalents				
— cash in hand	8	149	—	—
— cash at bank	325,216	336,779	175,459	1,583
	<u>325,224</u>	<u>426,979</u>	<u>175,459</u>	<u>1,583</u>

Pledged bank deposits are pledged for:

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings (i)	—	14,627	—	—
Bills payable (ii)	—	73,079	—	—
Letters of credit facilities	—	2,345	—	—
	—	90,051	—	—
	<u>—</u>	<u>90,051</u>	<u>—</u>	<u>—</u>

(i) As at 31 December 2014, no deposit was pledged for borrowings. As at 31 December 2013, bank deposits of HK\$14,627,000 were placed with commercial banks as a pledge for the Group's bank borrowings (Note 18). The weighted average effective interest rate on the deposits was 3.3% per annum. These deposits had maturity of six months.

(ii) As at 31 December 2014, no deposit was pledged for bills payables. As at 31 December 2013, deposits pledged for bills payable of HK\$73,079,000 had maturity of six months at inception.

The interest-bearing bank deposits (included in pledged bank deposits and cash at bank) carried a weighted average interest rate of 1.22% (31 December 2013: 0.42%) per annum for the year ended 31 December 2014.

The maximum exposure to credit risk at the reporting date approximates the carrying value of the pledged bank deposits and cash and cash equivalents.

The Group's pledged bank deposits and cash at bank denominated in RMB were deposited with banks in the Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government.

Pledged bank deposits and cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	137,582	337,964	25	25
HK\$	182,580	86,060	175,434	1,558
USD	5,062	2,955	—	—
	<u>325,224</u>	<u>426,979</u>	<u>175,459</u>	<u>1,583</u>

16. Share capital

	Number of shares '000	Ordinary shares HK\$'000
Authorised		
At 31 December 2014 and 2013 (ordinary shares of HK\$0.02 each)	<u>10,000,000</u>	<u>200,000</u>
Issued and fully paid up		
At 1 January 2013 and 31 December 2013	2,929,925	65,405
Cancelation of shares (a)	(9,398)	(188)
Issuance of shares – exercise of share options (Note 17(b))	<u>48,000</u>	<u>960</u>
At 31 December 2014	<u>2,968,527</u>	<u>66,177</u>

- (a) On 4 November and 25 November 2014, the Company repurchased 3,998,000 and 5,400,000 ordinary shares of the Company respectively through the Stock Exchange at an aggregate consideration of approximately HK\$34,838,000, which had been deducted from retained earnings within shareholders' equity.

On 25 November and 19 December 2014, the Company cancelled 3,998,000 and 5,400,000 ordinary shares repurchased respectively.

17. Reserves

Group

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	1,262,730	176,819	234,220	15,530	86,094	647,694	2,423,087
Profit for the year	—	—	—	—	—	411,814	411,814
Dividends paid to equity holders of the Company	—	—	—	—	—	(117,198)	(117,198)
Transfer to statutory reserve (<i>Note (a)</i>)	—	—	31,791	—	—	(31,791)	—
Currency translation differences	—	—	7,848	—	75,313	—	83,161
At 31 December 2013	1,262,730	176,819	273,859	15,530	161,407	910,519	2,800,864
Profit for the year	—	—	—	—	—	602,929	602,929
Purchase of treasury shares	—	—	—	—	—	(34,838)	(34,838)
Cancellation of treasury shares	(34,650)	—	—	—	—	34,838	188
Issuance of shares — exercise of share options (<i>Note (b)</i>)	85,770	—	—	(15,530)	—	—	70,240
Dividends paid to equity holders of the Company	—	—	—	—	—	(236,171)	(236,171)
Disposal of a subsidiary (<i>Note (a)</i>)	—	—	(146,196)	—	—	146,196	—
Transfer to statutory reserve (<i>Note (a)</i>)	—	—	50,063	—	—	(50,063)	—
Currency translation differences	—	—	(1,677)	—	(15,210)	—	(16,887)
At 31 December 2014	<u>1,313,850</u>	<u>176,819</u>	<u>176,049</u>	<u>—</u>	<u>146,197</u>	<u>1,373,410</u>	<u>3,186,325</u>

Company

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	1,262,730	173,703	15,530	—	1,451,963
Profit for the year	—	—	—	173,846	173,846
Dividends paid to equity holders of the Company	—	—	—	(117,198)	(117,198)
At 31 December 2013	1,262,730	173,703	15,530	56,648	1,508,611
Purchase of treasury shares	—	—	—	(34,838)	(34,838)
Cancellation of treasury shares	(34,650)	—	—	34,838	188
Issuance of shares — exercise of share options (<i>Note (b)</i>)	85,770	—	(15,530)	—	70,240
Profit for the year	—	—	—	477,985	477,985
Dividends paid to equity holders of the Company	—	—	—	(236,171)	(236,171)
At 31 December 2014	<u>1,313,850</u>	<u>173,703</u>	<u>—</u>	<u>298,462</u>	<u>1,786,015</u>

(a) Statutory reserve

As stipulated by regulations in the Mainland China and the Articles of Association of the Company's subsidiaries established in the Mainland China, the subsidiaries established in the Mainland China are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to statutory surplus reserve fund before distributing their profit. When the balance of such reserve reaches 50% of each subsidiary's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares.

The statutory reserve of HK\$146,196,000 has been transferred out as the result of the disposal of a subsidiary.

(b) Share-based payments

On 24 June 2014, 24,000,000 share options (being adjusted from 20,000,000 share options as a result of the issuance of bonus shares on 16 October 2012) were exercised by current director. And on 17 November 2014, 24,000,000 share options (being adjusted from 20,000,000 share options as a result of the issuance of bonus shares on

16 October 2012) were exercised by a director of the Company who resigned on 6 June 2014. Options exercised in 2014 which resulted in 48,000,000 ordinary shares being issued at HK\$0.02 each. The related weighted average share price at the time of exercise was HK\$1.48 per share (being adjusted from HK\$1.78 as a result of issuance of bonus share on 16 October 2012). The total cash received is HK\$71,200,000.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise Price (HK\$ per share)	Number of Options (thousands)
At 1 January 2013	1.48	48,000
Exercised	1.48	(48,000)
	<u> </u>	<u> </u>
At 31 December 2014	<u> </u>	<u> </u>

18. Borrowings — Group

	2014 HK\$'000	2013 HK\$'000
Non-current		
Non-current portion of long-term bank borrowings	364,246	455,019
	<u> </u>	<u> </u>
Current		
Current portion of long-term bank borrowings	190,772	250,401
Short-term bank borrowings	316,909	482,373
	<u> </u>	<u> </u>
	507,681	732,774
	<u> </u>	<u> </u>
Total borrowings	<u>871,927</u>	<u>1,187,793</u>
Representing:		
Unsecured (i)	554,981	529,026
Secured (ii)	316,946	658,767
	<u> </u>	<u> </u>
	871,927	1,187,793
	<u> </u>	<u> </u>

- (i) As at 31 December 2014, the Group's bank borrowings of HK\$238,072,000 (31 December 2013: HK\$128,379,000) were guaranteed by the Company and Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (31 December 2013: the Company and Xi'an Lijun Pharmaceutical Co., Ltd.).

- (ii) As at 31 December 2014, the Group's bank borrowings of HK\$316,946,000 (31 December 2013: HK\$645,375,000) were secured by the Group's land use rights with a net book amount of HK\$60,760,000 (31 December 2013: HK\$72,647,000), the Group's buildings, plant, machinery and tools with a net book amount of HK\$301,820,000 (31 December 2013: HK\$418,769,000). As at 31 December 2013, the Group's bank borrowings of HK\$13,392,000 were secured by the Group's pledged bank deposits of HK\$14,627,000.

As at 31 December 2014, the Group's borrowings were repayable as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 1 year	507,681	732,774
Between 1 and 2 years	175,369	246,098
Between 2 and 5 years	143,243	154,611
More than 5 years	45,634	54,310
	<u>871,927</u>	<u>1,187,793</u>

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
6 months or less	384,299	706,899
6 to 12 months	487,628	480,894
	<u>871,927</u>	<u>1,187,793</u>

The borrowings were denominated in the following currencies:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
RMB	576,204	896,494
HK\$	201,008	162,920
USD	94,715	128,379
	<u>871,927</u>	<u>1,187,793</u>

The effective interest rates (per annum) at the balance sheet date were as follows:

	2014			2013		
	<i>RMB</i>	<i>HK\$</i>	<i>USD</i>	<i>RMB</i>	<i>HK\$</i>	<i>USD</i>
Bank borrowings	<u>6.00%</u>	<u>3.93%</u>	<u>3.12%</u>	<u>5.53%</u>	<u>3.70%</u>	<u>3.90%</u>

The fair values of short-term borrowings approximate their carrying amounts. The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings	<u>364,246</u>	<u>455,019</u>	<u>356,768</u>	<u>439,501</u>

As at 31 December 2014, the Group has the following undrawn borrowing facilities:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed rates		
— Expiring within one year	590,021	171,642
— Expiring beyond one year	697,200	801,292
Floating rates		
— Expiring within one year	211,145	619,970
— Expiring beyond one year	353,992	—
	<u>1,852,358</u>	<u>1,592,904</u>

19. Deferred revenue – Group

Government grant received from municipal governments represented subsidies for construction of the laboratories and plants of the Group, and will be recognised in consolidated statement of comprehensive income when the depreciation expense of the laboratories and plants are recognised in the consolidated statement of comprehensive income.

Movements of deferred revenue are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Beginning of the year	10,863	7,795
Current year additions	12,058	3,757
Recognised in the consolidated statement of comprehensive income	(8,591)	(976)
Disposal of a subsidiary (<i>Note 32(c)</i>)	(6,110)	—
Currency translation differences	(67)	287
	<u>8,153</u>	<u>10,863</u>
End of the year	<u><u>8,153</u></u>	<u><u>10,863</u></u>

20. Post-employment benefit obligation – Group

The maturity profile of the post-employment benefit obligation is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 1 year	40	341
Between 1 to 2 years	24	337
Between 2 to 5 years	3	1,039
More than 5 years	—	7,913
	<u>67</u>	<u>9,630</u>
<i>Less:</i> Current portion included in current liabilities (<i>Note 22</i>)	<u>(40)</u>	<u>(341)</u>
	<u><u>27</u></u>	<u><u>9,289</u></u>

The movements of post-employment benefits recognised in the balance sheet is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Beginning of the year	9,630	11,502
Total expense, included in staff cost		
— Current service cost	1,319	114
— Interest cost	646	468
— Actuarial gain	—	(1,694)
Contribution paid	(712)	(948)
Disposal of a subsidiary	(10,830)	—
	<u>(26)</u>	<u>188</u>
Currency translation differences		
	<u>(26)</u>	<u>188</u>
End of the year	<u><u>27</u></u>	<u><u>9,630</u></u>

The above obligations were determined by the Group's management using the projected unit credit method. Discount rate and resignation rate adopted are as follows:

	2014	2013
Discount rate	4.10%	5.0%
Annual resignation rate	<u>2.70%</u>	<u>2.7%</u>

21. TRADE AND BILLS PAYABLES – GROUP

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	287,720	354,114
Bills payable	<u>—</u>	<u>136,347</u>
	<u><u>287,720</u></u>	<u><u>490,461</u></u>

Credit terms for trade and bills payables range from 90 to 180 days. The ageing analysis of the trade and bills payables is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 3 months	232,963	384,934
4 to 6 months	41,608	72,974
7 to 12 months	10,679	25,464
1 to 3 years	1,942	4,996
More than 3 years	528	2,093
	<u>287,720</u>	<u>490,461</u>

The Group's trade and bills payables were all denominated in RMB.

22. Accruals and other payables

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Payables for purchase of property, plant and equipment	211,894	166,902	—	—
Withholding individual income tax payables (a)	66,388	87,452	12,272	—
Accrued salaries and wages	14,856	23,075	94	1,473
Deposits from constructors	4,202	8,748	—	—
Value added tax payable	3,427	9,283	—	—
Other taxes payables	3,251	4,447	—	—
Welfare payables	2,321	9,257	—	—
Professional fee payables	2,258	2,417	—	—
Payables for advertising expenses	814	7,549	—	—
Current portion of long-term payables (Note 20)	40	341	—	—
Accrued sales commission	—	58,861	—	—
Amounts due to related parties (Note 34(c))	—	453	—	—
Others	10,658	36,586	—	—
	<u>320,109</u>	<u>415,371</u>	<u>12,366</u>	<u>1,473</u>

According to the relevant PRC tax laws and regulations, the PRC subsidiaries of the Group are responsible for withholding individual income tax for directors and employees' gain from the disposal of their shares of the Company acquired through the option scheme (Note 17(b)). Settlement of such individual income tax is handled through certain agent companies. In this regard, HK\$66,388,000 (31 December 2013: HK\$87,452,000) payables relating to PRC individual income taxes in total have been recorded in the consolidated financial statements. Meanwhile, the same amount of receivables will also be recorded (Note 14). As at 31 December 2014, the amount of HK\$12,272,000 has been collected by the Group.

23. Revenue – Group

The Group is principally engaged in the manufacturing and sale of pharmaceutical products.

Revenue recognised is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue:		
— Sales of pharmaceutical products	2,087,355	1,712,982
— Rental income	2,809	2,184
— Processing income	1,218	7,836
— Sales of raw materials and by products	89	254
	<u>2,091,471</u>	<u>1,723,256</u>

24. Other incomes and other gains – net – Group

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants	36,412	70,354
Gain on disposals of property, plant and equipment	4,063	1,978
	<u>40,475</u>	<u>72,332</u>

Government grants mainly represent subsidy income received from various government organisations to compensate the Group's research and development expenditures and interest expenses incurred, and other incentives to support the operations of the Group.

25. Expenses by nature – Group

	2014	2013
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Raw materials and consumables used	680,993	627,075
Changes in inventories of finished goods and work in progress	(28,661)	(47,312)
Staff costs		
— Wages and salaries	166,158	157,040
— Pension costs	26,661	24,768
— Welfare expenses	41,476	38,853
Utility expenses	118,602	97,040
Advertising expenses	4,672	29,245
Travelling, meeting and entertainment expenses	46,985	41,427
Operating leases rental expenses	12,804	13,303
Depreciation of property, plant and equipment	152,764	109,907
Provision for impairment of trade receivables	741	773
Reversal of provision for impairment of other receivables	—	(86)
Amortisation of land use rights	4,176	3,343
Amortisation of intangible assets	3,550	2,485
Auditors' remuneration		
— Audit services	2,413	1,251
— Non-audit services	860	562
Transportation expenses	170,053	151,748
Research and development costs	37,249	25,752
Business taxes, surcharges and other tax expenses	25,657	24,633
Others	43,289	19,802
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs and general and administrative expenses	<u>1,510,442</u>	<u>1,321,609</u>

26. Finance income and costs – Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Finance income		
— Interest income on bank deposits	3,907	1,003
— Cash discount income	4,518	—
— Net exchange gain	—	7,553
	<u>8,425</u>	<u>8,556</u>
Finance costs		
— Interest expense of bank borrowings wholly repayable within 5 years	(41,141)	(39,429)
— Interest expense of bank borrowings not wholly repayable within 5 years	(3,595)	(814)
— Net exchange loss	(5,043)	—
	<u>(49,779)</u>	<u>(40,243)</u>

27. Income tax expense – Group

The Company is incorporated in Cayman Islands as an exempted company and, accordingly, is exempted from payment of Cayman Islands income tax.

The Group had no assessable profits in Hong Kong and, accordingly, no Hong Kong profits tax was provided.

New Orient Investments Pharmaceutical Holding (Hong Kong) Limited, the subsidiary of the Company, is subject to Hong Kong profits tax at the rate of 16.5% (2013: 16.5%) on its estimated assessable profit.

All subsidiaries of the Company established and operate in PRC are subject to the Mainland China Corporate Income Tax (“CIT”) at an applicable rate of 25%.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd., Xi’an Lijun Pharmaceutical Co., Ltd. and Hebei Guolong Pharmaceutical Co., Ltd. have been recognised as High and New Technology Enterprises in 2012. According to the tax incentives rules of the CIT Law of the People’s Republic of China (the “CIT Law”) for High and New Technology Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

According to the PRC CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

The amounts of taxation charged to the consolidated statement of comprehensive income:

	2014 HK\$'000	2013 HK\$'000
Current income taxation		
— Mainland China CIT	89,612	74,533
Deferred taxation (<i>Note 10</i>)	<u>(1,030)</u>	<u>(1,546)</u>
	<u>88,582</u>	<u>72,987</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before income tax	<u>580,150</u>	<u>442,292</u>
Tax calculated at the tax rates applicable to the Group companies	86,544	65,793
Tax losses for which no deferred tax assets were recognised	4,054	5,445
Tax exemption and reduction	(2,670)	(910)
Expenses not deductible	654	1,221
Withholding tax charge related to dividends	<u>—</u>	<u>1,438</u>
Tax expense	<u>88,582</u>	<u>72,987</u>
Effective tax rate	<u>15.3%</u>	<u>16.5%</u>

28. Profit attributable to the Company's equity holders

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$477,985,000 (2013: HK\$173,846,000).

29. Directors and senior management's emoluments – Group

(a) Directors' emoluments

The remuneration of each director of the Company is set out below:

2014

Name	Fees	Salaries	Other benefits (d)	Pension	Bonus	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors						
Mr. Qu Jiguang	—	4,400	689	49	1,471	6,609
Mr. Wu Qin (a)	—	5,250	16	32	—	5,298
Mr. Wang Xianjun	—	1,140	510	17	—	1,667
Mr. Xie Yunfeng (a)	—	1,102	14	19	—	1,135
Mr. Duan Wei (b)	—	378	60	30	99	567
Mr. Su Xuejun (c)	—	41	7	3	17	68
	—	12,311	1,296	150	1,587	15,344
Independent non-executive directors						
Mr. Wang Yibing	180	—	—	—	—	180
Mr. Leung Chong Shun	180	—	—	—	—	180
Mr. Chow Kwok Wai	180	—	—	—	—	180
	540	—	—	—	—	540
	540	12,311	1,296	150	1,587	15,884

(a) Mr. Wu Qin and Mr. Xie Yunfeng have resigned on 6 June 2014.

(b) Mr Duan Wei have resigned on 15 December 2014.

(c) Mr. Su Xuejun was appointed on 15 December 2014.

(d) Other benefits include housing allowance and other social welfare.

2013

Name	Fees	Salaries	Other	Pension	Bonus	Total
	HK\$'000	HK\$'000	benefits HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors						
Mr. Wu Qin	—	3,000	63	44	—	3,107
Mr. Qu Jiguang	—	3,430	387	45	3,975	7,837
Mr. Xie Yunfeng	—	600	63	29	—	692
Mr. Wang Xianjun	—	1,020	480	15	200	1,715
Mr. Duan Wei	—	600	61	30	1,263	1,954
	—	8,650	1,054	163	5,438	15,305
Independent non-executive directors						
Mr. Wang Yibing	180	—	—	—	—	180
Mr. Leung Chong Shun	180	—	—	—	—	180
Mr. Chow Kwok Wai	180	—	—	—	—	180
	540	—	—	—	—	540
	540	8,650	1,054	163	5,438	15,845

No directors waived any emoluments during the year ended 31 December 2014 (2013: Nil).

(b) Five highest paid individuals

The five Individuals whose emoluments were the highest in the Group for the year include four (2013: five) directors whose emoluments are reflected in the analysis presented above.

30. Earnings per share – Group**(a) Basic**

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	491,525	369,301
Profit from discontinued operation attributable to equity holders of the Company	<u>111,404</u>	<u>42,513</u>
	<u>602,929</u>	<u>411,814</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,944,740</u>	<u>2,929,925</u>
Basic earnings per share (HK\$ per share)		
Profit attributable to equity holders of the Company	0.1669	0.1261
Profit from discontinued operation attributable to equity holders of the Company	<u>0.0378</u>	<u>0.0145</u>
	<u>0.2047</u>	<u>0.1406</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	491,525	369,301
Profit from discontinued operation attributable to equity holders of the Company	<u>111,404</u>	<u>42,513</u>
	<u><u>602,929</u></u>	<u><u>411,814</u></u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,944,740	2,929,925
Adjustment for share options (thousands)	<u>16,111</u>	<u>11,739</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u><u>2,960,851</u></u>	<u><u>2,941,664</u></u>
Diluted earnings per share (HK\$ per share)		
Profit attributable to equity holders of the Company	0.1660	0.1255
Profit from discontinued operation attributable to equity holders of the Company	<u>0.0376</u>	<u>0.0145</u>
Diluted earnings per share (HK\$ per share)	<u><u>0.2036</u></u>	<u><u>0.1400</u></u>

31. Dividends

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
2014 Interim dividend of HK\$0.06 (2013: HK\$0.02) per ordinary share	177,572	58,599
Proposed zero final dividend (2013: HK\$0.02) per ordinary share	—	58,599
HK\$0.172 special dividend to be declared (2013: Nil) per ordinary share	<u>510,587</u>	<u>—</u>
	<u><u>688,159</u></u>	<u><u>117,198</u></u>

Following the resolution passed at a shareholders' meeting held on 10 October 2014, an amount that is equivalent to not less than 50% of the proceeds received from the disposal of a subsidiary would be declared and paid by the Company as a special dividend out of the share premium account or other distributable reserves of the Company to shareholders of the Company, and the directors of the Company are authorised to determine the amount of the special dividend.

On 27 March 2015, a special dividend of HK\$0.172 (2013: Nil) per ordinary share, amounting to a total dividend of HK\$510,587,000 calculated based on 2,968,527,000 outstanding ordinary shares (2013: 2,929,925,000 ordinary shares), has been determined by the directors of the Company to be paid out of the Company's retained earnings and share premium account. Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, balance in share premium account of the Company is available for distribution to shareholders subject to a solvency test on the Company. The dividend to be declared has not been reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the retained earnings and share premium account for the year ending 31 December 2015.

32. Consolidated cash flow statement

(a) Reconciliation of cash generated from operations

	2014 HK\$'000	2013 HK\$'000
Profit before income tax including discontinued operations	729,318	493,477
Adjustments for:		
Provision/(Reversal of provision) for impairment of trade receivables (Note 13)	1,178	(3,486)
(Reversal of provision)/Provision for impairment of other receivables	(1,117)	1,612
(Reversal of provision)/Provision for write-down of inventories (Note 12)	(1,927)	2,310
Depreciation of property, plant and equipment (Note 7)	178,978	133,859
Gain on disposal of property, plant and equipment	(4,122)	(2,967)
Gain on disposal of a subsidiary (Note 32(c))	(94,959)	—
Amortisation of land use rights (Note 6)	9,175	7,338
Amortisation of intangible assets (Note 8)	4,630	4,107
Amortisation of deferred revenue	(7,955)	—
(Gain)/Loss on disposal of financial assets at fair value through profit	(253)	645
Interest income	(8,751)	(1,557)
Interest expenses	62,667	46,910
	<hr/>	<hr/>
Operating profit before working capital changes	866,862	682,248
Changes in working capital:		
Increase in inventories	(27,886)	(1,825)
Increase in trade and bills receivables	(209,749)	(178,866)
Decrease in prepayments, deposits and other receivables	29,066	15,231
(Decrease)/Increase in trade and bills payables	(106,545)	154,201
(Decrease)/Increase in advance receipts from customers	(4,348)	9,544
Increase in accruals and other payables	(38,712)	35,809
	<hr/>	<hr/>
Net cash inflow generated from operations	<u>508,688</u>	<u>716,342</u>

(b) Proceeds from disposals of property, plant and equipment

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2014 HK\$'000	2013 HK\$'000
Net book amount disposed (<i>Note 7</i>)	62,064	23,213
Gain on disposal of property, plant and equipment	4,122	2,967
	<u>66,186</u>	<u>26,180</u>

(c) Disposal of a subsidiary

On 31 October 2014, the Group sold its 100% equity interest in Xi'an Lijun Pharmaceutical Co., Ltd. to United Investments Group Limited (the "Purchaser"), for a cash consideration of HK\$772,000,000, net of the withholding corporate income tax of HK\$14,447,000 withheld and paid by the Purchaser. After the completion of the transaction, the Group holds no equity interest in Xi'an Lijun Pharmaceutical Co., Ltd. As at 31 December 2014, the Group has received part of the consideration amounted to HK\$500,000,000, and the remaining portion of HK\$272,000,000 has been received in January 2015.

	HK\$'000
Cash consideration	772,000
<i>Add:</i> Withholding corporate income tax withheld and paid by the Purchaser	14,447
<i>Less:</i> Net assets disposed	(685,673)
Transaction costs	<u>(5,815)</u>
Gain on disposal of a subsidiary	<u>94,959</u>

The assets and liabilities of Xi'an Lijun Pharmaceutical Co., Ltd. at the date of disposal were as below:

	As at 31 October 2014 HK\$'000
Land use rights (<i>Note 6</i>)	211,654
Property, plant and equipment (<i>Note 7</i>)	469,013
Intangible assets (<i>Note 8</i>)	3,252
Deferred income tax assets (<i>Note 10</i>)	21,990
Available-for-sale financial assets (<i>Note 11</i>)	163
Inventories	157,584
<i>Less: Provision for write-down of inventories</i>	<i>(6,203)</i>
Trade and bills receivables	464,130
<i>Less: Provision for impairment of trade receivables (Note 13)</i>	<i>(30,944)</i>
Prepayments, deposits and other receivables	36,733
<i>Less: Provision for impairment of other receivables</i>	<i>(3,285)</i>
Cash and cash equivalents	118,437
Deferred revenue (<i>Note 19</i>)	(6,110)
Post-employment benefit obligation	(10,375)
Borrowings	(492,101)
Trade and bills payables	(94,380)
Advanced receipts from customers	(23,220)
Accruals and other payables	(127,949)
Income tax payable	(2,716)
	<hr/>
Total net assets disposed	685,673
Cash proceeds received during the year ended 31 December 2014	500,000
Transaction costs	(5,815)
Cash and cash equivalents disposed	(118,437)
	<hr/>
Net cash inflow on disposal	<u>375,748</u>

33. Discontinued operations

The Group discontinued the operation of Xi'an Lijun Pharmaceutical Co., Ltd. upon its disposal on 31 October 2014 (Note 32(c)).

Analysis of the result of discontinued operations was as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	831,904	1,022,060
Cost of sales	<u>(484,460)</u>	<u>(618,309)</u>
Gross profit of discontinued operations	<u>347,444</u>	<u>403,751</u>
Selling and marketing costs	(177,171)	(249,144)
General and administrative expenses	(97,620)	(113,162)
Other gains — net	<u>1,966</u>	<u>23,406</u>
Operating profit of discontinued operations	<u>74,619</u>	<u>64,851</u>
Finance income	326	554
Finance costs	<u>(15,309)</u>	<u>(14,220)</u>
Finance costs — net	<u>(14,983)</u>	<u>(13,666)</u>
Profit before income tax of discontinued operations	59,636	51,185
Income tax expense	<u>(9,296)</u>	<u>(7,180)</u>
Profit for the year from discontinued operations	<u>50,340</u>	<u>44,005</u>
Gain on disposal of a subsidiary (Note 32(c))	94,959	—
Withholding corporate income tax withheld and paid by the Purchaser (Note 32(c))	<u>(14,447)</u>	<u>—</u>
Net gain on disposal of a subsidiary	<u>80,512</u>	<u>—</u>
Withholding tax charge related to dividends from a disposed subsidiary	(14,021)	(1,492)
Other disposal related expenses	<u>(5,427)</u>	<u>—</u>
Total profit for the year from discontinued operations	<u>111,404</u>	<u>42,513</u>

The cash flows of discontinued operations were as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Operating cash flows	(172,783)	50,781
Investing cash flows	(22,371)	—
Financing cash flows	278,702	(118,616)
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(811)</u>	<u>(771)</u>
Total cash flows	<u><u>82,737</u></u>	<u><u>(68,606)</u></u>

34. Related party transactions and balances – Group

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

- (a) The directors are of the view that the following companies are related parties of the Group:

Name	Relationship
Rejoy Group Limited Liability Company (“Rejoy Group”)	An entity significantly influenced by certain key management personnel of the Group before 4 June 2014
Xi’an Rejoy Technology Investment Co., Ltd. (“Rejoy Technology”)	Majority owned by shareholders of Prime United Industries Limited (“PUI”), which owned approximately 26.28% interest in the Company before 4 June 2014
Xi’an Rejoy Packaging Materials Co., Ltd. (“Rejoy Packaging”)	Subsidiary of Rejoy Technology
Xi’an Rejoy Medicine Co., Ltd. (“Rejoy Medicine”)	Subsidiary of Rejoy Group

PUI sold all its shares of the Company on 4 June 2014. Meanwhile, certain key management personnel of the Group have resigned on the same day from the Company. Accordingly, Rejoy Group, Rejoy Technology, Rejoy Packaging and Rejoy Medicine are no longer considered to be related parties of the Group after 4 June 2014.

- (b) Saved as disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties:

Nature of transactions	Name of related party	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Purchasing of raw materials and packaging materials from	— Rejoy Packaging	<u>676</u>	<u>4,539</u>
Sales of finished goods to	— Rejoy Medicine	<u>2,396</u>	<u>462</u>
Provision of utilities to	— Rejoy Packaging	<u>1,557</u>	<u>446</u>

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

- (c) The Group had the following significant balances with related parties:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amounts due from related parties, included in trade receivables		
— Rejoy Medicine	<u>—</u>	<u>2,496</u>
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amounts due from related parties, included in other receivables		
— Rejoy Packaging	<u>—</u>	<u>32</u>
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amounts due to related parties, included in trade payables		
— Rejoy Packaging	<u>—</u>	<u>146</u>

	2014 HK\$'000	2013 HK\$'000
Amounts due from related parties, included in other payables		
— Rejoy Group	—	453
	<u> </u>	<u> </u>

The related party balances are unsecured, interest-free and have no pre-determined terms of repayment.

(d) Key management compensation

	2014 HK\$'000	2013 HK\$'000
Salaries, bonus and allowances	15,734	15,682
Pension	150	163
	<u> </u>	<u> </u>
	<u>15,884</u>	<u>15,845</u>

35. Commitments — Group

(a) Capital commitments

Capital expenditure at the balance sheet dates contracted but not yet provided for is as follows:

	2014 HK\$'000	2013 HK\$'000
— Plant and machineries	4,605	230,831
	<u> </u>	<u> </u>

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of office premises in Mainland China and Hong Kong under non-cancellable operating leases are payable as follows:

	2014 HK\$'000	2013 HK\$'000
Not later than one year	2,407	4,059
Later than one year and not later than five years	1,568	1,573
More than five years	7,966	6,905
	<u> </u>	<u> </u>
	<u>11,941</u>	<u>12,537</u>

36. Operating lease — Group

The future aggregate minimum lease rental receipts in respect of office premises and warehouses in Mainland China under non-cancellable operating leases are receivable as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Not later than one year	1,365	488
Later than one year and not later than five years	3,042	1,781
More than five years	1,901	1,113
	<u>6,308</u>	<u>3,382</u>

37. Events after the balance sheet date

On 3 February 2015, Shijiazhuang No. 4 Pharmaceutical Co., Ltd., a subsidiary of the Group, entered into a contract to acquire a 50% equity interest in a joint venture company called Hebei Hanlin Biotechnology Co., Ltd., at a consideration of RMB20,000,000, which was paid on 27 March 2015. The joint venture company is engaged in the research and development of biotechnology and related products.

There are no other significant events after the balance sheet date saved as those disclosed elsewhere in these consolidated financial statements.

3. STATEMENT OF INDEBTEDNESS

The following table illustrates the indebtedness of the Group as at 31 May 2015, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular. HK\$373,389,000 out of the Group's total borrowings are secured.

	<i>HK\$'000</i>
Short-term borrowings	388,681
Current portion of long-term bank borrowings	93,092
Non-current portion of long-term bank borrowings	<u>684,234</u>
	<u>1,166,007</u>

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 May 2015, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 31 May 2015.

4. MATERIAL CHANGE

The Directors confirm that save as (i) the information disclosed under the section headed “Management discussion and analysis” in the annual report of the Group for the financial year ended 31 December 2014; (ii) the business update on the letter of intent entered into between Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“No. 4 Pharma”), a wholly owned subsidiary of the Group, with the current shareholders of Hebei Hanlin Biotechnology Co., Ltd. (“Hebei Hanlin”) as disclosed in the announcement dated 21 January 2015; (iii) the information on the entering into of a shareholders agreement between No. 4 Pharma and the original shareholders of Hebei Hanlin in relation to the reorganisation Hebei Hanlin into a joint venture company as disclosed in the announcement dated 3 February 2015; (iv) the information on the increase in turnover but with a slight decrease in gross profit margin for the three months ended 31 March 2015 as disclosed in the announcement dated 30 April 2015; (v) the business updates on Hebei Hanlin as disclosed in the announcement dated 15 June 2015; and (vi) the information disclosed under the sections headed “Financial effects of the Offer” and “Financial and trading prospects” to the Offer Document, they were not aware of any material changes in the financial or trading position or outlook of Group since 31 December 2014, the date to which the last published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS

As set out in the 2014 annual report of the Company, the entire assets and business of Xi’an Lijun Pharmaceutical Co., Ltd. was disposed on 31 October 2014. The Company believes that the disposal of Xi’an Lijun will allow them to reallocate the Company’s resources to concentrate on business areas with stronger growth potential. Looking forward to 2015, the pharmaceutical industry will continue to be significantly impacted by the state’s and local healthcare reform policies. In 2015,

the entire pharmaceutical industry will be presented with enormous opportunities and challenges whereby the Company would adjust the product pricing in situations where competition is intense during tender processes. The Company will capitalise on such opportunities to achieve new breakthroughs in production and sales composition adjustments. The Company will focus on securing the tenders for soft bag and vertical soft bag products in new markets, and endeavor to excel in the marketing of the Group's strategic product such as soft bag rinsing solutions and therapeutic infusion solutions. Through the development of new markets and enhancement of market penetration in the existing markets, the Company will strive to fortify its industry-leading position in terms of the production and sales volume of soft bag infusion solutions.

The Company will continue to unswervingly implement the strategy of “going overseas”, accelerate the pace of international registration and certification of its products, and enrich the types and specifications of the products for export incessantly, in order to ensure a growth rate of 40% for the sales of foreign trade sales.

The Company will proactively identify and explore potential targets and opportunities for acquisitions and mergers in the pharmaceutical industry. The intensification of market competition and the conduit of the State policies will trigger increased acquisitions and mergers in the pharmaceutical industry. The Company will capitalise on its own strengths to proactively identify such opportunities for acquisitions and mergers in order to consolidate the market position and product position of the Company.

In respect of new product development, the Company is in the process of obtaining the production permits for glycine rinsing solution, compound amino acid injection soft bags and compound electrolyte injection vertical bags, further enriching our product sales portfolio. The Company will strive to obtain the new drug certifications and product permits with the clinical research for three Type 3 new drugs, namely Blonanserin, Lacosamide and Roflumilast as soon as possible. The production permit for the three-in-one plastic ampule product is expected to bring along a new business growth point for the Company if obtained. The Company will expedite the research and development and the approval of therapeutic infusion solutions to enhance the Company's product composition.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. Unaudited pro forma statement of adjusted net assets

The following unaudited pro forma statements of adjusted net assets of the Group attributable to the equity holders of the Company is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2014, as extracted from the Company's annual report for the year ended 31 December 2014, and adjusted for the effect of the conditional cash offer by BNP Paribas Securities (Asia) Limited on behalf of SSY Group Limited to repurchase up to 150,000,000 shares at HK\$3.30 per share (the "Offer") as if they had been taken place on 31 December 2014. It has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, to provide the shareholders with information about the impact of the Offer and, because of its hypothetical nature, may not give a true picture of the consolidated financial position of the Group as at 31 December 2014 had the Offer been completed on 31 December 2014 or any future date.

	Audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 December 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustment Effect of the Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net assets of the Group attributable to the equity holders of the Company <i>HK\$'000</i>	Audited unadjusted consolidated net assets per Share attributable to the equity holders of the Company as at 31 December 2014 <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net assets per Share attributable to the equity holders of the Company immediately after the completion of the Offer <i>(Note 4)</i>
The Offer of 150,000,000 Shares at a price of HK\$3.30 per Share	<u>3,252,502</u>	<u>(501,060)</u>	<u>2,751,442</u>	<u>HK\$1.10</u>	<u>HK\$0.98</u>

Notes:

- The amounts are extracted from the audited consolidated balance sheet of the Group as at 31 December 2014 as included in the Company's annual report for the year ended 31 December 2014.
- The amount of cash to be paid for the Offer represents the maximum amount payable by the Group under the Offer of HK\$501,060,000 which is based on the repurchase of up to 150,000,000 Shares at a price of HK\$3.30 per Share and the estimated expenses of approximately HK\$6,060,000 directly attributable to the Offer.

3. The audited unadjusted consolidated net assets per Share attributable to the equity holders of the Company as at 31 December 2014 is calculated based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2014 of HK\$3,252,502,000 and 2,968,527,385 Shares in issue as at 31 December 2014.
4. The unaudited pro forma adjusted net assets per Share attributable to the equity holders of the Company immediately after completion of the Offer is calculated based on the unaudited pro forma adjusted consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2014 of HK\$2,751,442,000 and 2,818,527,385 Shares in issue following the completion of the Offer, which is 2,968,527,385 Shares in issue as at 31 December 2014 as detailed above, reduced by 150,000,000 Shares repurchased assuming that there is full acceptance of the Offer by the Qualifying Shareholders up to the maximum number of Shares.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net assets of the Group attributable to equity holders of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014. In particular, the unaudited pro forma adjusted consolidated net assets of the Group attributable to the equity holders of the Company have not been adjusted for dividends of HK\$510,587,000 declared by the Company subsequent to 31 December 2014. Had the dividends been taken into account, the unaudited pro forma adjusted consolidated net asset per Share attributable to the equity holders of the Company immediately after the completion of the Offer would have been reduced from HK\$0.98 to HK\$0.80.

2. Unaudited pro forma adjusted basic earnings per Share from continuing operations

The following unaudited pro forma adjusted basic earnings per Share from continuing operations of the Group for the year ended 31 December 2014 is prepared based on the audited consolidated profit attributable to equity holders of the Company arises from continuing operations for the year ended 31 December 2014, as shown in the Company's annual report for the year ended 31 December 2014, and adjusted for the effect of the Offer as if the completion of the Offer had taken place on 1 January 2014. It has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, to provide the Shareholders with information about the impact of the Offer, and, because of its hypothetical nature, may not give a true picture of the results of the Group for the year ended 31 December 2014 had the Offer been completed on 1 January 2014 or any future periods.

	Audited consolidated profit attributable to the equity holders of the Company arises from continuing operations for the year ended 31 December 2014 HK\$'000 (Note 1)	Pro forma adjustment Interest expense and loan facility related fees HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated profits attributable to the equity holders of the Company arises from continuing operations HK\$'000	Audited basic earnings per Share from continuing operations (Note 1)	Unaudited pro forma adjusted basic earnings per Share from continuing operations (Note 3)
The offer of 150,000,000 shares at a price of HK\$3.30 per share	491,525	(19,626)	471,899	HK\$0.1669	HK\$0.1689

Notes:

- The amounts are extracted from the Company's annual report for the year ended 31 December 2014. The audited basic earnings per Share from continuing operations amount for the year ended 31 December 2014 is calculated based on the audited consolidated profit attributable to equity holders of the Company arises from continuing operations for the year ended 31 December 2014 of HK\$491,525,000 and the weighted average number of 2,944,739,830 Shares in issue during the year ended 31 December 2014. The discontinued operation represents the antibiotics businesses carried out by Xi'an Lijun Pharmaceutical Co., Ltd., which have been disposed of by the Company on 31 October 2014.
- The Offer will be mainly funded by loan facility of the Group. The payment would be financed from the drawn down of the loan facility of HK\$495,000,000. The adjustment represents the recognition of interest expense and loan facility related fees of HK\$19,625,666 from the draw down of loan facility of HK\$495,000,000 to be used for satisfying the Company's cash payment obligation in connection with the Offer as if the Offer had been completed on 1 January 2014. This adjustment is not expected to have continuing effect on the unaudited pro forma consolidated income statement of the Group.
- The unaudited pro forma adjusted basic earnings per Share from continuing operations amount for the year ended 31 December 2014 is calculated based on the unaudited pro forma adjusted consolidated profit attributable to the equity holders of the Company arises from continuing operations of HK\$471,899,000 and the adjusted weighted average number of 2,794,739,830 Shares in issue, which is the weighted average number of 2,944,739,830 Shares in issue during the year ended 31 December 2014, reduced by 150,000,000 Shares repurchased as if the completion of the Offer had taken place on 1 January 2014 and that there is full acceptance of the Offer by the Qualifying Shareholders up to the maximum number of Shares.
- The estimated expenses directly attributable to the Offer of approximately HK\$6,060,000 is accounted for as a deduction from equity in accordance with HKFRS.
- No adjustment has been made to the unaudited pro forma adjusted basic earnings per Share from continuing operations to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION INCLUDED IN A CIRCULAR**

To the directors of SSY Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SSY Group Limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd., the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net assets as at 31 December 2014, and the unaudited pro forma adjusted basic earnings per share from continuing operations for the year ended 31 December 2014 and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages III-1 to III-3 of the Company’s circular dated 31 July 2015, in connection with the conditional cash offer by BNP Paribas Securities (Asia) Limited on behalf of SSY Group Limited to repurchase up to 150,000,000 shares at HK\$3.30 per share (the “Offer”) by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-3.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Offer on the Group’s net assets as at 31 December 2014 and the Group’s basic earnings per share from continuing operations for the year ended 31 December 2014 as if the Offer had taken place at 31 December 2014 and at 1 January 2014 respectively. As part of this process, information about the consolidated net assets of the Group attributable to the equity holders of the Company as at 31 December 2014 and the Group’s basic earnings per share from continuing operations and consolidated profit attributable to the equity holders of the Company arises from continuing operations for the year ended 31 December 2014 have been extracted by the directors from the Group’s consolidated financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Offer at 31 December 2014 and 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used

by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 July 2015

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2015 of the property interests held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

31 July, 2015

SSY Group Limited

Rooms 4902-03, 49th Floor,
Central Plaza,
18 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by SSY Group Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interests as at 31 May 2015 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Where, due to the nature of the buildings and structures of the property nos. 1 to 3 (excluding a portion of property no. 2 which is currently under construction) and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the portion of the property no. 2 which is currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

We have valued property no. 4 by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the Code on Takeovers and Mergers issued by The Securities and Futures Commission of Hong Kong; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including the State-owned Land Use Rights Certificates and Building Ownership Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Shu Jin Law Firm, concerning the validity of the property interests in the PRC.

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

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

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out from 8 July to 9 July 2015 by Mr. Aaron Lin who is a Certified Public Valuer of China and has 3 years' experience in property valuation in the PRC, and Mr. Larry Li who has 8 years' experience in property valuation in the PRC.

All monetary figures stated in this report are in Renminbi (“**RMB**”).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 31 May 2015 RMB
1.	3 parcels of land, 20 buildings and various ancillary structures located at the north of Yangzi Road Shijiazhuang Economic and Technology Development Zone Gaocheng District Shijiazhuang City Hebei Province The PRC	417,630,000
2.	2 parcels of land, 3 buildings, various ancillary structures and 5 buildings and ancillary structures under construction No. 288 Zhujiang Avenue High and New-Tech Industrial Zone Yuhua District Shijiazhuang City Hebei Province The PRC	394,247,000
3.	A parcel of land, 15 buildings and various ancillary structures No. 35 Huitong Road Yuhua District Shijiazhuang City Hebei Province The PRC	42,690,000
4.	Units 04-502, 05-202, 05-402 and 05-502 on Levels 2, 4 and 5 of Building No. 2 in Xing Fa Yi Yuan located at Yangzi Road Shijiazhuang Economic and Technology Development Zone Gaocheng District Shijiazhuang City Hebei Province The PRC	2,280,000
Total		856,847,000

Note:

As advised by the Group, the potential tax liabilities which would arise if the properties of this report were to be sold at the amount of the valuation are estimated to be approximately RMB71 million. The taxes mainly include business tax, urban construction tax, education fee addition, land appreciation tax and stamp duty. As confirmed by the Group, they have no intention to sell the properties as those properties are occupied as the main production site. Therefore, the possibility of incurrence of such tax liabilities is very small.

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015 RMB
1.	3 parcels of land, 20 buildings and various ancillary structures located at the north of Yangzi Road Shijiazhuang Economic and Technology Development Zone Gaocheng District Shijiazhuang City Hebei Province The PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 126,270.60 sq.m., 20 buildings with a total gross floor area (“GFA”) of approximately 171,776.93 sq.m. and various ancillary structures erected thereon, which were completed in various stages between 2003 and 2013.</p> <p>The buildings include 7 industrial buildings, an office and dormitory building, 5 storage buildings, a canteen and 6 ancillary buildings.</p> <p>The structures mainly include roads, boundary wall, sewers and drainage pipes.</p> <p>The land use rights of the property have been granted for terms with expiry dates on 17 December 2044, 28 September 2051 and 21 May 2060 respectively for industrial use.</p>	The property is currently occupied by the Group for production and ancillary purposes.	417,630,000

Notes:

- Pursuant to 3 State-owned Land Use Rights Certificates — Gao Guo Yong (2005) Di No. 0620, Gao Guo Yong (2006) Di No. 0648 and Gao Guo Yong (2010) Di No. 080, the land use rights of 3 parcels of land with a total site area of approximately 126,270.60 sq.m. have been granted to Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“**Shijiazhuang No. 4 Pharmaceutical**”), a wholly-owned subsidiary of the Company, for terms with the expiry dates on 17 December 2044, 28 September 2051 and 21 May 2060 respectively for industrial use.
- Pursuant to 6 Building Ownership Certificates — Gao Cheng Fang Quan Zhang Liang Cun Zi Di Nos. 1145000010, 1145000010-001, 1145000010-002, 1145000070-01, 1145000070-02 and 1145000080, 19 buildings of the property with a total GFA of approximately 125,504.91 sq.m. are owned by Shijiazhuang No. 4 Pharmaceutical for office, production and ancillary purposes.
- For the remaining building of the property with a GFA of approximately 46,272.02 sq.m., we have not been provided with any title certificate. As advised by Shijiazhuang No. 4 Pharmaceutical, the Building Ownership Certificate of the building is in the process of application.
- Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 130182201100023 issued by Shijiazhuang Municipal Commission of Urban Planning in favour of Shijiazhuang No. 4 Pharmaceutical, 2 buildings (including the building mentioned in note 3) with a total GFA of approximately 66,719.82 sq.m. have been approved for construction.
- Pursuant to a Construction Work Commencement Permit — No. 1300183050191001, in favour of Shijiazhuang No. 4 Pharmaceutical, permission by the relevant local authority was given to commence the construction of the building mentioned in note 3 with a planned GFA of approximately 43,932 sq.m. As advised by Shijiazhuang No. 4 Pharmaceutical, the building has been completed in July 2013 with a GFA of approximately 46,272.02 sq.m. and is currently occupied by Shijiazhuang No. 4 Pharmaceutical for office and dormitory purposes.

6. According to a Mortgage Contract – No. 13100620130002275, entered into between Shijiazhuang No.4 Pharmaceutical and Agricultural Bank of China Limited Shijiazhuang Donggang Road Branch, the land use rights of a parcel of land with a site area of approximately 72,722.6 sq.m. under the State-owned Land Use Rights Certificate — Gao Guo Yong (2005) No. 0620 and the buildings with a total GFA of 39,691.16 sq.m. under the Building Ownership Certificates — Gao Cheng Fang Quan Zhang Liang Cun Zi Di Nos. 1145000010-001 and 1145000010-002 are subject to a mortgage for bank loan up to RMB105,707,840 for a mortgage term commencing on 2 September 2013 and expiring on 1 September 2021.
7. According to a Mortgage Contract entered into between Shijiazhuang No. 4 Pharmaceutical and CITIC Bank (International) Limited, the land use rights of a parcel of land with a site area of approximately 16,395.59 sq.m. under the State-owned Land Use Rights Certificate — Gao Guo Yong (2010) No. 080 and the buildings with a total GFA of 22,451.07 sq.m. under the Building Ownership Certificates — Gao Cheng Fang Quan Zhang Liang Cun Zi Di Nos. 1145000070-01 and 1145000070-02 are subject to a mortgage for bank loan up to RMB120,000,000 for a mortgage term commencing on 3 December 2013 and expiring on 3 December 2021.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Shijiazhuang No. 4 Pharmaceutical is the sole user of the land mentioned in note 1 and legally owns the relevant land use rights;
 - b. Shijiazhuang No. 4 Pharmaceutical is the sole owner of the buildings of the property mentioned in note 2 and is entitled to legally use, transfer, lease and mortgage the relevant buildings; and
 - c. Shijiazhuang No. 4 Pharmaceutical can apply for the Building Ownership Certificate for the building mentioned in note 3 legally after passed through the relevant inspection and acceptance procedures of environmental protection and fire control.
9. In the valuation of this property, we have attributed no commercial value to the building mentioned in note 3 which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land element) as at the valuation date would be RMB136,060,000 assuming all relevant title documents have been obtained and the building could be freely transferred.
10. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- (a) General description of location of the property : The property is located at the north of Yangzi Road, Shijiazhuang Economic and Technology Development Zone Gaocheng District, Shijiazhuang City, Hebei Province. It is about 12 kilometers from the center of Shijiazhuang City and 40 kilometers from Shijiazhuang Zhengding International Airport. Developments in the vicinity are mainly low to medium-rise factory complexes and warehouses.
- (b) Details of encumbrances, liens, pledges, mortgages against the property : Refer to notes 6 and 7.
- (c) Environmental Issue : No environment impact assessment has been carried out.
- (d) Details of investigations, notices, pending litigation, breaches of law or title defects : The Group has not obtained any title certificate for a building of the property (refer to note 3).
- (e) Future plans for construction, renovation, improvement or development of the property : As advised by the Group, there is no plan for new major development in the next 12 months from the date of this report.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015 RMB
2.	2 parcels of land, 3 buildings, various ancillary structures and 5 buildings and ancillary structures under construction No. 288 Zhujiang Avenue High and New-Tech Industrial Zone Yuhua District Shijiazhuang City Hebei Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 139,549.70 sq.m., 3 buildings with a total gross floor area (“GFA”) of approximately 91,661.28 sq.m. and various ancillary structures erected thereon, which were completed in 2013 (the “completed portion”).</p> <p>The buildings of the completed portion include an industrial building, a storage building and a canteen.</p> <p>The structures mainly include roads, boundary wall, bicycle shed, sewers and drainage pipes.</p> <p>The property also comprises 3 industrial buildings, 2 ancillary buildings and ancillary structures under construction (the “CIP”) on the subject land which are scheduled to be completed in January 2016. Upon completion, the buildings of the CIP will have a total GFA of approximately 87,906.16 sq.m.</p> <p>The land use rights of the property have been granted for terms with the expiry dates on 29 May 2063 and 1 September 2064 respectively for industrial use.</p>	The property is currently occupied by the Group for production and ancillary purposes, except for the CIP which is under construction.	394,247,000

Notes:

- Pursuant to 2 State-owned Land Use Rights Certificates — Gao Xin Guo Yong (2013) Di No. 00037 and Gao Xin Guo Yong (2014) Di No. 00026, the land use rights of 2 parcels of land with a total site area of approximately 139,549.70 sq.m. have been granted to Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“**Shijiazhuang No. 4 Pharmaceutical**”), a wholly-owned subsidiary of the Company, for terms with the expiry dates on 29 May 2063 and 1 September 2064 respectively for industrial use.
- For the 3 buildings of the completed portion with a total GFA of approximately 91,661.28 sq.m., we have not been provided with any title certificate. As advised by Shijiazhuang No. 4 Pharmaceutical, the Building Ownership Certificates of the 3 buildings are in the process of application.
- Pursuant to 4 Construction Work Planning Permits — Jian Zi Di Gao No. 130100201300017, Jian Zi Di Gao Jian Guan Nos. 130100201400007, 130100201500011 and 130100201500010 in favour of Shijiazhuang No. 4 Pharmaceutical issued by Shijiazhuang Municipal Commission of Urban Planning, 8 buildings (including the completed portion and the CIP) with a total GFA of approximately 179,569.37 sq.m. have been approved for construction.
- Pursuant to 6 Construction Work Commencement Permits — Nos. 130108X130162501, 130108X130162601, 13010G201504240101, 13010G201504240201, 13010G201504240301 and 13010G201504240401, in favour of Shijiazhuang No. 4 Pharmaceutical, permissions by the relevant local authority were given to commence the construction of the completed portion and 3 buildings of the CIP with a total planned GFA of approximately 178,340.84 sq.m.

5. As advised by Shijiazhuang No. 4 Pharmaceutical, the Construction Work Commencement Permits of the remaining 2 buildings of the CIP with a total planned GFA of approximately 1,226.6 sq.m. have not been obtained.
6. For the CIP of the property:
 - a. The market value of the CIP (excluding land element) as if completed is approximately RMB269,000,000 assuming that it will be developed and completed in accordance with the latest development proposal provided to us by Shijiazhuang No. 4 Pharmaceutical and has obtained all necessary relevant construction approval or title certificate;
 - b. The total construction cost of the CIP is estimated to be approximately RMB262,000,000, of which RMB240,000,000 had been paid up to the valuation date;
 - c. For the regulatory consent of the CIP, please refer to notes 3 to 5.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Shijiazhuang No. 4 Pharmaceutical is the sole user of the land mentioned in note 1 and legally owns the relevant land use rights;
 - b. All relevant construction approvals of the completed portion and the CIP of the property (except the 2 buildings under construction mentioned in note 5) have been obtained by Shijiazhuang No. 4 Pharmaceutical; and
 - c. Shijiazhuang No. 4 Pharmaceutical can apply for the Building Ownership Certificates for the buildings of the property (except the 2 buildings mentioned in note 5) legally after the buildings and the CIP are completed and passed through the relevant inspection and acceptance procedures of environmental protection and fire control.
8. In the valuation of this property, we have attributed no commercial value to the completed portion which have not obtained any proper title certificate and the 2 buildings under construction mentioned in note 5 of which the commencement permits have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB249,720,000 assuming all title documents or proper construction permits have been obtained and they could be freely transferred.
9. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- (a) General description of location of the property : The property is located at No. 288 Zhujiang Avenue High and New-Tech Industrial Zone, Yuhua District, Shijiazhuang City. It is about 10 kilometers from the center of Shijiazhuang City and 35 kilometers from Shijiazhuang Zhengding International Airport. Developments in the vicinity are mainly low to medium-rise factory complexes and warehouses.
- (b) Details of encumbrances, liens, pledges, mortgages against the property : The property is not subject to any mortgage or pledges.
- (c) Environmental Issue : No environment impact assessment has been carried out.
- (d) Details of investigations, notices, pending litigation, breaches of law or title defects : The Group has not obtained any title certificate for the 3 buildings of the property (refer to note 3) and the Construction Work Commencement Permits for 2 buildings under construction (refer to note 4).
- (e) Future plans for construction, renovation, improvement or development of the property : As advised by the Group, there is no plan for new major development in the next 12 months from the date of this report.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015 RMB
3.	A parcel of land, 15 buildings and various ancillary structures No. 35 Huitong Road Yuhua District Shijiazhuang City Hebei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 24,298.40 sq.m., 15 buildings with a total gross floor area (“GFA”) of approximately 27,339.17 sq.m. and various ancillary structures erected thereon, which were completed in various stages between 1983 and 2002.</p> <p>The buildings include 5 industrial buildings, 1 office buildings, 3 storage buildings, a canteen and 5 ancillary buildings.</p> <p>The structures mainly include roads and car-parking shed.</p> <p>The land use rights of the property have been granted for a term expiring on 9 April 2053 for industrial use.</p>	The property is currently occupied by the Group for production and ancillary purposes.	42,690,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Yu Hua Guo Yong (2006) Di No. 103, the land use rights of a parcel of land with a site area of approximately 24,298.40 sq.m. have been granted to Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“**Shijiazhuang No. 4 Pharmaceutical**”), a wholly-owned subsidiary of the Company, for a term expiring on 9 April 2053 for industrial use.
- Pursuant to 3 Building Ownership Certificates — Shi Fang Quan Zheng Yu Zi Di Nos. 570000004 to 570000006, 14 buildings with a total GFA of approximately 27,113.37 sq.m. are owned by Shijiazhuang No. 4 Pharmaceutical.
- For the remaining building of the property with a GFA of approximately 225.8 sq.m., we have not been provided with any title certificate.
- According to 2 Mortgage Contracts — No. DY150413000325-1 and DY150413000325-2, entered into between Shijiazhuang No. 4 Pharmaceutical and Bank of Hebei, the land use rights of a parcel of land mentioned in note 1 and the buildings mentioned in note 2 are subject to a mortgage for bank loan up to RMB200,000,000 for a mortgage term commencing on 13 April 2015 and expiring on 13 April 2016.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - Shijiazhuang No. 4 Pharmaceutical is the sole user of the land mentioned in note 1 and owns the relevant land use rights legally; and
 - Shijiazhuang No. 4 Pharmaceutical is the sole owner of the buildings of the property mentioned in note 2 and is entitled to legally use, transfer, lease and mortgage the relevant buildings.
- In the valuation of this property, we have attributed no commercial value to the building mentioned in note 3 which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding land element) as at the valuation date would be RMB130,000 assuming all relevant title documents have been obtained and it could be freely transferred.

7. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- (a) General description of location of the property : The property located at No. 35 Huitong Road, Yuhua District, Shijiazhuang City, which is near the center of Shijiazhuang City. It is about 40 kilometers from Shijiazhuang Zhengding International Airport. Developments in the vicinity are mainly residential communities.
- (b) Details of encumbrances, liens, pledges, mortgages against the property : Refer to note 4.
- (c) Environmental Issue : No environment impact assessment has been carried out.
- (d) Details of investigations, notices, pending litigation, breaches of law or title defects : The Group has not obtained any title certificate to a building of the property (refer to note 3).
- (e) Future plans for construction, renovation, improvement or development of the property : As advised by the Group, there is no plan for new major development in the next 12 months from the date of this report.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2015 RMB
4.	Units 04-502, 05-202, 05-402 and 05-502 on Levels 2, 4 and 5 of Building No. 2 in Xing Fa Yi Yuan located at Yangzi Road Shijiazhuang Economic and Technology Development Zone Gaocheng District Shijiazhuang City Hebei Province The PRC	The property comprises 4 residential units with a total gross floor area ("GFA") of approximately 639.68 sq.m. on Levels 2, 4 and 5 of a 6-storey residential building in a residential development named Xing Fa Yi Yuan, which was completed in 2007.	The property is currently occupied by the Group for staff dormitory purpose.	2,280,000

Notes:

1. Pursuant to 4 Building Ownership Certificates — Gao Cheng Fang Quan Zhang Ling Cun Zi Di Nos. 1145000025 to 1145000028, the property is owned by Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharmaceutical"), a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that Shijiazhuang No. 4 Pharmaceutical is the sole owner of the property and is entitled to legally use, transfer, lease and mortgage the property.

RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Listing Rules and the Codes for the purpose of giving information with regard to the Offer and the Company. All Directors jointly and severally accept full responsibility for the accuracy of information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Offer (assuming full acceptance of the Offer) will be as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares as at the Latest Practicable Date	<u>200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid</i>	
<u>2,968,527,385</u> Shares as at the Latest Practicable Date	<u>59,370,547.70</u>
<u>(150,000,000)</u> Shares proposed to be bought-back and cancelled	<u>(3,000,000.00)</u>
<u>2,818,527,385</u> Shares upon completion of the Offer	<u>56,370,547.70</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and capital.

No Shares have been issued or bought-back by the Company since the end of the financial year of the Company ended 31 December 2014 up to the Latest Practicable Date.

There has been no re-organisation of capital of the Company during the two financial years immediately preceding the commencement of the Offer Period on 3 July 2015.

As at the Latest Practicable Date, save for 2,968,527,385 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

During the two-year period immediately preceding the date of this Offer Document, the Company paid dividends as follows:

Date of payment	Period	Amount <i>(HK cents per Shares)</i>
22 May 2015	Special	0.172
14 November 2014	Interim	0.06
10 June 2014	Interim	0.02
31 October 2013	Final	0.02

Depending on the future results and financial position of the Group, the Company may, on the recommendation of the Board, declare dividends as and when they consider appropriate taking into account the then financial performance of the Company as well as the amount of profits and/or reserves legally available for distribution. Based on the audited financial statements of the Group for the year ended 31 December 2014, the Company's reserves available for distribution to the Shareholders at such period end date amounted to, in the opinion of the Board, HK\$1,612,312,000. The Directors do not have any intention to declare any additional dividend or to alter the dividend policy of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Name	Personal Interests	Family Interests	Corporate Interests	Total	% of issued share capital
Mr. Qu	157,592,000	—	722,510,000	880,102,000	29.65
			<i>(Note)</i>		

Note: CPCL is held as to 72.93% by Mr. Qu and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu is deemed to be interested in all the Shares held by CPCL.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or person acting in concert with any of them, had any beneficial or deemed 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors or chief executive of the Company, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which 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 the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital were as follows:

Name of the Shareholders	Number of Shares held	% of issued share capital
CPCL	722,510,000 (Note)	24.35

Note: CPCL is held as to 72.93% by Mr. Qu and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu is deemed to be interested in all the Shares held by CPCL.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which 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 the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital.

OTHER INTERESTS IN THE COMPANY

As at the Latest Practicable Date:

- (i) 2,000 Shares were held by BNPP Securities and parties acting in concert with it (save for those members of the group of companies of BNPP Securities that are conducting exempt principal trader activities or exempt fund manager activities). The Company has been informed by BNPP Securities that neither itself nor parties acting in concert with it (save for those members of the group of companies of BNPP Securities that are conducting exempt principal trader activities or exempt fund manager activities) had dealt in the relevant Securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (ii) save as disclosed above in relation to BNPP Securities' interest in the Company, none of the subsidiaries of the Company, nor pension funds of the Company or of any of the Company's subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (iii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with, CPCL, Mr. Qu or any person acting in concert with them, the Company or any person acting in concert 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 (as defined in the Takeovers Code) or with CPCL, Mr. Qu or parties acting in concert with them;
- (iv) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company; and
- (v) save for Mr. Qu's interest in 72.93% of the issued share capital of CPCL, neither of (i) the Company, (ii) the Directors, (iii) directors of CPCL nor persons acting in concert with any of them has any interest in any share capital of CPCL and none of them has 10% or more voting rights in CPCL.

As at the Latest Practicable Date, save for (i) the shareholdings of CPCL and Mr. Qu disclosed in pages V-2 and V-3 of this Offer Document and (ii) 2,000 Shares held by BNPP Securities and parties acting in concert with it, no parties acting in concert with the Company (including BNPP Securities), Mr. Qu, CPCL and none of their directors had any other interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

DEALINGS IN SECURITIES

The Company has not issued nor bought-back any Shares since 31 December 2014, being the end of the last financial year, and has not and will not conduct any on-market share repurchase from the date of the Announcement up to and including the date the Offer closes, lapses or is withdrawn, as the case may be.

Save as disclosed below, the Company had not bought-back or issued any Shares since 3 July 2013, two years immediately preceding the date of the Announcement.

Shares Bought-back

Date of purchases	Total number of Shares bought-back	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregated consideration (HK\$)
4 November 2014	3,998,000	3.72	3.64	14,816,600
25 November 2014	5,400,000	3.70	3.64	19,950,800
	<u>9,398,000</u>			<u>34,767,400</u>

Issue of Shares

Date of issue	Total number of Shares issued	Issue price per Share (HK\$)	Aggregated proceeds received (HK\$)
24 June 2014	24,000,000	1.483	29,660,000
17 November 2014	24,000,000	1.483	29,660,000
	<u>48,000,000</u>		<u>59,320,000</u>

Each Director (including Mr. Qu) has confirmed (for himself and on behalf of parties acting in concert with him) that there had been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by him or parties acting in concert with him during the Relevant Period.

During the Relevant Period, save as disclosed in this Offer Document, there had been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by (i) the Directors, (ii) parties acting in concert with the Company, and (iii) Mr. Qu, CPCL, BNPP Securities and their directors and parties acting in concert with any of them.

Prior to the posting of this Offer Document, as at the Latest Practicable Date, save for the irrevocable undertaking given by Mr. Qu and CPCL that each of them will not, and will procure that the holders of Shares in which they are interested will not, accept the Offer, no persons have irrevocably committed to accept or reject the Offer.

Except in the case where the Offer does not become unconditional, there is no circumstance in which the irrevocable undertakings given by Mr. Qu and CPCL will cease to be binding.

As at the Latest Practicable Date, there was no arrangement as referred to Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Offer or the Whitewash Waiver.

As at the Latest Practicable Date, no person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person acting in concert with it and therefore there is no such dealing in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, none of the Company, the Directors, Mr. Qu, CPCL, directors of CPCL or parties in concert with any of them has borrowed or lent any Shares. As such, there have been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by any person who has borrowed or lent any Shares in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons.

Save for the irrevocable undertakings given by the CPCL and Mr. Qu that each of them will not, and will procure that the holders of Shares in which they are interested will not, accept the Offer, there is no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Offer or the Whitewash Waiver, nor are there any outstanding derivative in respect of securities in the Company entered into by Mr. Qu or CPCL or parties acting in concert with any of them as at the Latest Practicable Date.

Save as the irrevocable undertakings given by CPCL and Mr. Qu disclosed in this Offer Document, no (i) other Directors, (ii) other directors of CPCL or parties acting in concert with any of them had any beneficial shareholdings in the Company as at the Latest Practicable Date.

There is no agreement or arrangement to which the Company or Mr. Qu or CPCL or parties acting in concert with any of them is a party which relates to circumstances in which it/he/she may or may not invoke or seek to invoke a pre-condition or a condition to the Offer or the Whitewash Waiver.

As at the Latest Practicable Date, none of the Company, the Directors, the directors of CPCL nor persons acting in concert with any of them had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of CPCL during the Relevant Period.

MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 23 June 2015, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing Price per Share HK\$
30 January 2015	3.63
27 February 2015	3.30
31 March 2015	3.90
30 April 2015	3.44
29 May 2015	3.00
30 June 2015	suspended
Last Trading Day	2.82
Latest Practicable Date	2.25

Highest and Lowest Closing Prices

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK\$4.24 per Share on 14 April 2015 and HK\$2.08 per Share on 8 July 2015, respectively.

ARRANGEMENTS AFFECTING DIRECTORS

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

As at the Latest Practicable Date, 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.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between the Company, CPCL, Mr. Qu or any person acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer.

DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there was no material contract entered into by CPCL or Mr. Qu in which any Director (other than Mr. Qu) has a material personal interest.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company for an initial term of 3 years commencing from the appointment date renewable for successive terms of 3 years commencing from the day next after the expiry of the then current term of the appointment. The details of the Directors' service agreements for a fixed term of more than 12 months irrespective of notice period are set out below:

Name of Directors	Commencement date of service agreement	Expiry date of service agreement	Remuneration per annum
Mr. Qu Jiguang	6 August 2012	5 August 2015	HK\$5,000,000, which was increased from HK\$3,000,000 as approved by the Board on 5 September 2013, without variable remuneration payable under the agreement
Mr. Wang Xianjun	25 September 2012	24 September 2015	HK\$1,800,000, which was increased from HK\$1,500,000 as approved by the Board on 28 August 2014, without variable remuneration payable under the agreement
Mr. Su Xuejun	15 December 2014	14 December 2017	HK\$750,000, without variable remuneration payable under the agreement
Mr. Wang Yibing	26 July 2013	25 July 2016	HK\$180,000, without variable remuneration payable under the agreement
Mr. Leung Chong Shun	16 October 2014	15 October 2017	HK\$180,000, without variable remuneration payable under the agreement
Mr. Chow Kwok Wai	16 October 2014	15 October 2017	HK\$180,000, without variable remuneration payable under the agreement

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any service contracts with any member of the Group or associated companies of the Company: (i) which (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period, being 2 July 2015; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed-term contracts with more than 12 months to run irrespective of notice period.

LITIGATION

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

MATERIAL CONTRACTS

Save for the conditional sale and purchase agreement dated 29 August 2014 between the Company (as vendor) and United Investments Group Limited (as purchaser) in relation to the disposal of the entire equity interest of 西安利君製藥有限責任公司 (Xi'an Lijun Pharmaceutical Co., Ltd.) for a consideration of HK\$772,000,000 completed on 31 October 2014, details of which were set out in the announcements and circular of the Company on 29 August 2014, 22 October 2014 and 22 September 2014, respectively, the Group did not enter into any contract which are or may be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding the date of the Announcement.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices in this Offer Document:

Name	Qualification
BNPP Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Chanceton	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	certified public accountants
JLL	independent professional valuer

Each of BNPP Securities, Chanceton, Pricewaterhousecoopers, and JLL has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its opinion or letter (as the case may be) and references to its name, in the form and context in which it is included.

As at the Latest Practicable Date, save as disclosed, each of BNPP Securities, Chanceton, Pricewaterhousecoopers, and JLL did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business in Hong Kong is situated at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The registered office of BNPP Securities is situated at 59th Floor to 63rd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (d) The registered office of Chanceton is situated at Unit 1615, 16/F, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (e) The principal members of the concert group of CPCL includes Mr. Qu and CPCL. The registered office of CPCL is situated at Offshore Chambers, P.O. Box 217, Apia, Samoa. The directors of CPCL and their addresses are set out below:

Name	Address
Qu Ji Guang	11-2-401, Century Garden, No. 75, Dong Gang Lu, Ji Shi Jia Zhuang, PRC
Yin Dian Shu	402, Unit 2, 2 Dong, No. 278 Zhong Shan Xi Lu, Qiao Xi District, Shi Jia Zhuang City, Hebei, PRC
Gao Shu Ping	303, Unit 4, 33 Dong, Hua Xing Xiao Qu, Ti Yu Nan Da Jie, Yu Hua District, Shi Jia Zhuang City, Hebei, PRC
Su Xue Jun	201, Unit 3, 59 Dong, Tan Gu Xiao Qu, No. 36 Chang An Dong Jie, Chang An District, Shi Jia Zhuang City, Hebei, PRC

- (f) The English texts of this Offer Document, the form of proxy for the EGM and the Form of Acceptance shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.ssygroup.com.hk); (ii) on the website of the SFC (www.sfc.hk); and (iii) at the office of the Company, at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (during normal business hours from 9:30 a.m. to 5:30 p.m. on any Business Day) from the date of this Offer Document for so long as the Offer remains open for acceptance:

- (a) the memorandum and articles of association of the Company and CPCL;
- (b) the annual reports of the Company for each of the two years ended 31 December 2013 and 2014;
- (c) the report from Pricewaterhousecoopers on the unaudited pro forma financial information of the Group, the text of which are set out in Appendix III to this Offer Document;
- (d) the written consent as referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (e) the letter from the Board, the text of which is set out on pages 7 to 14 of this Offer Document;
- (f) the letter from BNPP Securities, the text of which is set out on pages 15 to 22 of this Offer Document;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Offer Document;
- (h) the letter from Chanceton, the text of which is set out on pages 25 to 49 of this Offer Document;
- (i) the property valuation report from JLL, the text of which is set out in Appendix IV to this Offer Document;
- (j) the irrevocable undertakings from CPCL and Mr Qu not to accept the Offer;
- (k) the agreement relating to the Facility;
- (l) the service agreements of Directors as referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix; and
- (m) the material contract as referred to in the paragraph headed “Material Contracts” in this Appendix.

NOTICE OF THE EGM



石四藥集團有限公司 SSY Group Limited

(formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd. 利君國際醫藥(控股)有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

NOTICE IS HEREBY GIVEN that a extraordinary general meeting (the “**EGM**”) of the shareholders of SSY Group Limited (the “**Company**”) will be held at Rooms 4902-03, 49/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 17 August 2015 at 11:30 a.m. (or at any adjourned meeting thereof) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the conditional cash offer (the “**Offer**”) by BNP Paribas Securities (Asia) Limited on behalf of the Company to repurchase up to 150,000,000 shares of nominal value HK\$0.02 each in the issued share capital of the Company (the “**Shares**”) held by the shareholders of the Company (the “**Shareholders**”) at a price of HK\$3.30 per Share to be paid in cash and subject to the terms and conditions set out in the offer document despatched to the Shareholders and dated 31 July 2015 together with the accompanying form of acceptance (a copy of which marked “**A**” has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved, without prejudice and in addition to the existing authority of the Company under the general mandate to repurchase Shares granted by the Shareholders at the annual general meeting of the Company on 15 May 2015, and that the directors of the Company be and are hereby authorised to execute all such documents (and, where necessary, to affix the seal of the Company on them in accordance with the bye-laws of the Company) with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including without limitation, completion of the repurchase of Shares pursuant to the Offer; and
- (b) the waiver (the “**Whitewash Waiver**”) in respect of any obligation under the Codes on Takeovers and Mergers and Share Buy-backs (the “**Codes**”) of Mr. Qu Jiguang and China Pharmaceutical Company Limited to make a mandatory general offer for all the issued Shares other than those already held by them which may, but for the Whitewash Waiver, arise upon completion of the Offer be and is hereby approved, and that the directors of the Company be and are hereby authorised to execute all such documents (and, where necessary, to affix the seal of the Company on them in

NOTICE OF THE EGM

accordance with the bye-laws of the Company) with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Whitewash Waiver.”

By Order of the Board
SSY Group Limited
Qu Jiguang
Chairman

Hong Kong, 31 July 2015

Head office and principal place of business in Hong Kong:
Rooms 4902-03, 49th Floor,
Central Plaza,
18 Harbour Road, Wanchai
Hong Kong

Notes:

1. A form of proxy (“**Form of Proxy**”) for use at the EGM is enclosed herewith.
2. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company but must attend the EGM in person to represent him/her.
3. The Form of Proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting (as the case may be), and in default thereof the Form of Proxy shall not be treated as valid. Such Form of Proxy is also published on the HKExnews website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.ssygroup.com.hk. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution. Completion and deposit of the Form of Proxy shall not preclude a member of the Company from attending and voting in person at the EGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the Form of Proxy shall be deemed to be revoked.
4. The Form of Proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
5. Corporate representatives shall before the EGM commences produce the relevant resolution of directors or other governing body or the power of attorney under which they are authorised to attend, act and vote at the meeting.

If a member which is a corporation wishes to appoint a proxy to attend and vote at the meeting, Note 3 above shall be applicable.

6. Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the EGM or at any adjourned meeting thereof (as the case may be), either personally or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM or at any adjourned meeting thereof (as the case may be), personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.