THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Tianjin Development Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 67% OF THE ISSUED SHARE CAPITAL OF THRIVE LEAP LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

Investec

A letter from the Board is set out on pages 6 to 20 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 21 of this circular. A letter from Investec containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 45 of this circular. A notice convening the EGM to be held at Salon 4, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 9 September 2015 (Wednesday) at 4:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

21 August 2015

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by Century Promise from Golden Tripod pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 22 July 2015 entered into among Century Promise, Golden Tripod, Tsinlien and Tianjin Pharmaceutical in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audited Consolidated Accounts"	the audited consolidated accounts of Thrive Leap Group prepared in accordance with Hong Kong Financial Reporting Standards issued by the independent auditors of the Company
"Best Season"	Best Season Holdings Limited (瑞益控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Thrive Leap
"Board"	the board of Directors
"Bohai"	Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), a state-owned enterprise established in the PRC ultimately wholly-owned by the Tianjin Government
"Century Promise"	Century Promise Limited (世諾有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Company"	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 882)
"Completion"	completion of the Acquisition pursuant to the Agreement
"Completion Date"	the date when Completion shall take place, being the 10th business day after all the Conditions have been satisfied or waived (as the case may be), or such other date as may be agreed in writing between the parties to the Agreement
"Conditions"	the conditions precedent to Completion as set out in the section headed "*The Agreement — Conditions*" in the "*Letter from the Board*" of this circular

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	directors of the Company
"EGM"	an extraordinary general meeting of the Company to be convened and held at 4:00 p.m. on 9 September 2015 at Salon 4, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Golden Tripod"	Golden Tripod Holdings Limited (金鼎控股有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Tsinlien
"Group"	the Company and its subsidiaries
"Guaranteed Financial Years"	the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017, and each of such year shall be referred to as a "Guaranteed Financial Year"
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK$ Equivalent"	the amount in HK$ into which such sum in RMB is converted at the middle exchange rate for exchange between HK$ and RMB posted in the "Notice on the Middle Exchange Rate for RMB" (人民幣匯率中間價公告) on the website of the People's Bank of China at or about noon (Beijing time) on 31 December of the relevant Guaranteed Financial Year, and, if no such rate is announced on that date, such rate on a business day in the PRC (being a date (excluding Saturdays, Sundays and public holidays) on which licensed banks are generally open for business in the PRC) immediately preceding 31 December of that relevant Guaranteed Financial Year
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu, which has been established to advise the Independent Shareholders on the Agreement

"Independent Shareholders"	the Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Agreement and the transactions contemplated thereunder
"Investec" or "Independent Financial Adviser"	Investec Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
"Jinhao"	TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Best Season
"Latest Practicable Date"	18 August 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lisheng"	Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司), a joint stock limited company established under the laws of the PRC which is owned as to approximately 51.36% by Jinhao and is listed on the A Shares Market of the Shenzhen Stock Exchange (Stock Code: 002393)
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2015
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers
"PRC"	the People's Republic of China (for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Profit Guarantee"	the profit guarantee given by Tsinlien and Tianjin Pharmaceutical under the Agreement
"Research Institute"	Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Jinhao

"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	6,700 shares of US$1 each in Thrive Leap, representing 67% of the issued share capital of Thrive Leap
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holder(s) of the share(s) in the capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted at the annual general meeting of the Company held on 25 May 2007
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Thrive Leap"	Thrive Leap Limited (隆騰有限公司), a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of Golden Tripod
"Thrive Leap Group"	Thrive Leap and its subsidiaries
"Tianjin Government"	Tianjin Municipal People's Government (天津市人民政府)
"Tianjin Pharmaceutical"	Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司), a state-owned enterprise established in the PRC ultimately wholly-owned by the Tianjin Government and the holding company of Tsinlien
"Tianjin Pharmaceutical Group"	Tianjin Pharmaceutical and its subsidiaries from time to time after Completion
"Tsinlien"	Tsinlien Group Company Limited (津聯集團有限公司), the controlling shareholder of the Company
"Tsinlien Investment"	Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), a state-owned enterprise established in the PRC and wholly-owned by the Tianjin Government
"US$"	United States dollars, the lawful currency of the United States of America
"Vigers" or "Valuer"	Vigers Appraisal & Consulting Limited, an independent third party and a valuer firm with asset valuation qualification in Hong Kong

"Yiyao Printing"	Tianjin Yiyao Printing Co., Ltd. (天津宜藥印務有限公司), a limited liability company established in the PRC which is owned as to 65% by Jinhao
"%"	per cent.

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, RMB has been converted to HK$ at the rate of RMB0.79 = HK$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

Executive Directors:
Mr. Zeng Xiaoping *(Chairman)*
Mr. Wang Zhiyong *(General Manager)*
Mr. Tuen Kong, Simon
Dr. Cui Di
Ms. Zhang Lili
Dr. Yang Chuan

Non-executive Directors:
Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent non-executive Directors:
Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu

Registered office:
Suites 7–13
36/F., China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

21 August 2015

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 67% OF THE ISSUED SHARE CAPITAL OF THRIVE LEAP LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 22 July 2015 and 17 August 2015 in relation to, among other things, the Acquisition.

The purpose of this circular is to provide you with, inter alia, (i) details of the Acquisition and the Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information as required by the Listing Rules.

THE AGREEMENT

On 22 July 2015, Century Promise, Golden Tripod, Tsinlien and Tianjin Pharmaceutical entered into the Agreement pursuant to which Century Promise conditionally agreed to acquire, and Golden Tripod conditionally agreed to sell, the Sale Shares, subject to the terms and conditions of the Agreement. Tsinlien and Tianjin Pharmaceutical agreed to jointly and severally guarantee the due and punctual performance by Golden Tripod of its agreements, obligations, commitments, warranties and undertakings under the Agreement and all the other documents entered into in connection with the Agreement and/or the Acquisition.

Date

22 July 2015

Parties

(a)	Purchaser	:	Century Promise, wholly-owned subsidiary of the Company
(b)	Vendor	:	Golden Tripod, wholly-owned subsidiary of Tsinlien
(c)	Vendor's guarantors	:	Tsinlien, controlling Shareholder and wholly-owned subsidiary of Tianjin Pharmaceutical; and Tianjin Pharmaceutical

Interest to be acquired

Pursuant to the Agreement, Century Promise shall acquire from Golden Tripod the Sale Shares, being 6,700 shares of US$1 each in the capital of Thrive Leap, representing 67% of the issued share capital of Thrive Leap.

Information on Thrive Leap Group

Thrive Leap is an investment holding company incorporated in the Cayman Islands with limited liability on 20 June 2011 and has no material assets nor business activities other than its holding of 100% interest in Best Season. Best Season is an investment holding company incorporated in Hong Kong with limited liability on 24 June 2011 and has no material assets nor business activities other than its holding of 100% equity interest in Jinhao.

Jinhao is a company established under the laws of the PRC with limited liability on 2 August 2011. The principal assets of Jinhao consist of its holding of 93,710,608 A shares in Lisheng, representing approximately 51.36% of the total issued A shares in Lisheng and 65% and 100% equity interest in Yiyao Printing and Research Institute respectively.

Lisheng is a joint stock limited company established under the laws of the PRC on 17 June 1981. The RMB-denominated domestic A shares of Lisheng are listed on the Shenzhen Stock Exchange (Stock Code: 002393). Lisheng and its subsidiaries are principally engaged in the manufacturing and sale of chemical drugs in the PRC. Its main products include drugs for cardio and cerebral vascular systems, anti-infection drugs and hormone drugs. Lisheng was honored with the title of "Top 100 Industrial Enterprises in terms of comprehensive strength in the PRC pharmaceutical industry in 2014 (二零一四中國化學製藥行業工業企業綜合實力百強)". Its exclusive product Shoubishan indapamide tablets (壽比山牌吲達帕胺片) was honored with the title of "Outstanding Enterprise Brands in anti-hypertensive category of the PRC chemical pharmaceutical industry in 2014 (二零一四中國化學製藥行業降血壓類優秀產品品牌)".

Yiyao Printing, established in March 1993, became a limited liability company under the laws of the PRC since March 2004. Yiyao Printing and its subsidiary are principally engaged in the design, manufacture, printing for pharmaceutical packaging and sale of other paper-based packaging materials. Yiyao Printing has equipped the production facilities with capabilities including digital proofing, computer-to-plate system, cutting, multi-color printing, automatic gluing and marking.

Research Institute is a limited liability company established under the laws of the PRC. Founded in 1959, it was a former affiliated research institute of the State Food and Drug Administration of the PRC which has specialized in research and development of new medicine technology and new products. After nearly five decades of development, Research Institute has become a High-tech Enterprise (高新技術企業) principally engaged in new drugs research, technology commercialization and production of new drugs, and is regarded as an Innovative Enterprise (創新型企業) and a National Model Unit of Intellectual Property (國家級知識產權示範企業) of the PRC. The business scope of Research Institute includes researches on areas such as pharmaceutical knowledge, pharmaceutical chemistry, pharmaceutical preparations, modern Chinese medicine, safety evaluation of new drugs and drug metabolism, and specializes in the research and development of innovative medicines and technology improvements of Chinese medicine, chemical medicine and biotechnological medicine.

Research Institute has established a post-doctoral research station and has established doctorate or master training centers at colleges and universities such as Tianjin University, Tianjin Medical University and Tianjin University of Traditional Chinese Medicine. Research Institute has a number of leading scientists and research staff, including experts enjoying government special allowances and endowed experts of the Tianjin Government (天津市授銜專家).

Set out below is the audited consolidated financial information of Jinhao prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 December 2014:

	For the financial year ended 31 December	
	2014	**2013**
	HK$'000	*HK$'000*
Profit before taxation and extraordinary items	150,454	527,489
Profit after taxation and extraordinary items	114,372	435,480

The unaudited consolidated net asset value of Lisheng, Yiyao Printing and Research Institute prepared in accordance with Hong Kong Financial Reporting Standards as at 31 December 2014 was approximately HK$3,683,443,000, HK$204,523,000 and HK$681,736,000 respectively.

The audited consolidated net asset value of Thrive Leap Group as at 31 December 2014 was HK$4,576,384,000. Set out below is the audited consolidated financial information of Thrive Leap prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 December 2014:

	For the financial year ended 31 December	
	2014	**2013**
	HK$'000	*HK$'000*
Profit (loss) before taxation and extraordinary items	150,423	(57)
Profit (loss) after taxation and extraordinary items	114,341	(57)

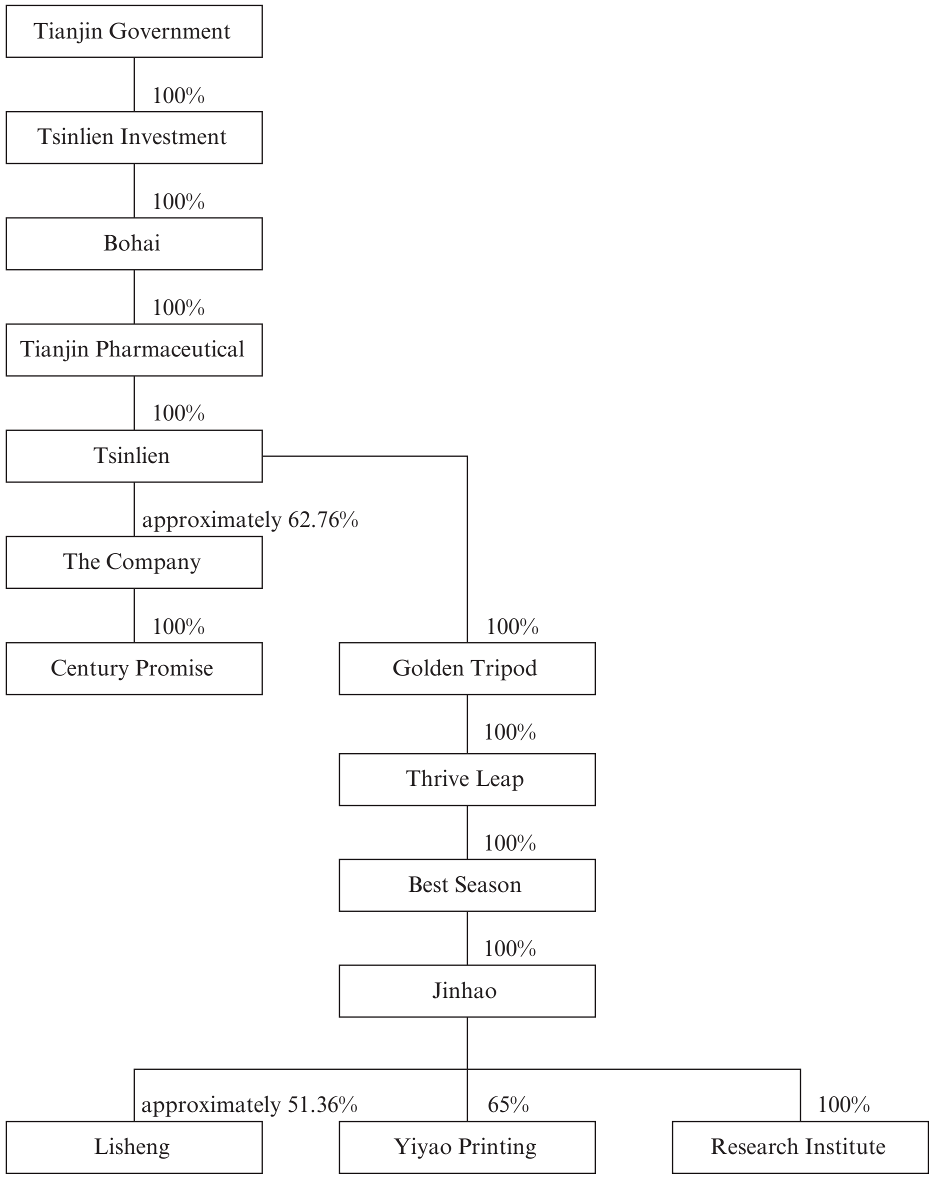
Thrive Leap has no business operation since its incorporation other than the holding of 100% interest in Best Season. Best Season has no business operation since its incorporation other than the holding of 100% equity interest in Jinhao.

The entire registered capital of Jinhao was transferred to Best Season at nil consideration in 2014 as part of the restructuring of the state-owned assets in Tianjin implemented by the Tianjin Government and as such, the original purchase cost of the Sale Shares to Golden Tripod was US$6,700, being the subscription price for the Sale Shares at par.

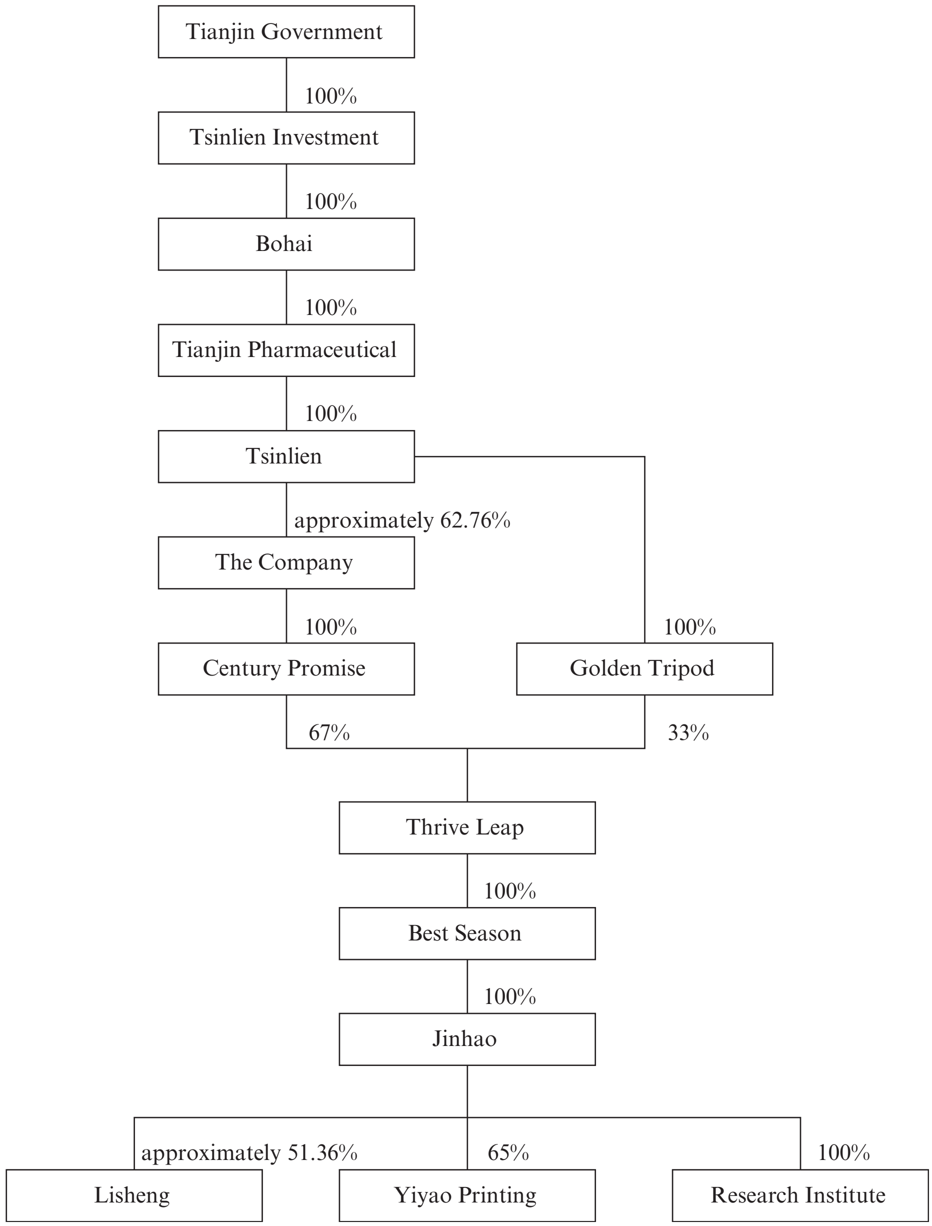
Upon Completion, Thrive Leap will become a 67%-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

Shareholding structure before and after Completion

Set out below is the simplified group structure of Thrive Leap Group as at the Latest Practicable Date:



Set out below is the simplified group structure of Thrive Leap Group immediately after Completion:



Consideration

The consideration for the Sale Shares shall be RMB2,315,855,000 (equivalent to approximately HK$2,931,462,000) and shall be payable by Century Promise to Golden Tripod in cash in the following manner:

(a) the sum of RMB1,389,513,000 (being 60% of the consideration) shall be paid within 5 days after Completion as part payment of the consideration; and

(b) the sum of RMB926,342,000 (being the balance of the consideration) shall be paid within 90 days after Completion.

All payments of the consideration to be made by Century Promise to Golden Tripod shall be made in HK$, with the relevant sum in RMB being converted to HK$ at the middle exchange rate for exchange between HK$ and RMB posted in the "Notice on the Middle Exchange Rate for RMB" (人民幣匯率中間價公告) on the website of the People's Bank of China at or about noon (Beijing time) on the relevant date of payment or in such other manner as may be agreed between Golden Tripod and Century Promise.

The consideration for the Sale Shares was arrived at after arm's length negotiations between the parties after taking into account, among other things, (i) net asset value of Thrive Leap Group; (ii) historical performance of Thrive Leap Group; (iii) potential growth and prospects of Thrive Leap Group; and (iv) valuation of the entire equity interest of Thrive Leap Group of RMB3,456,500,000 (equivalent to approximately HK$4,375,316,000) as at 31 August 2014, conducted by Vigers, which is determined pursuant to relevant rules and regulations in the PRC relating to state-owned assets transfer, including the Interim Administrative Measures for the Transfer of Shares of Listed Companies by State-owned Shareholders (國有股東轉讓所持上市公司股份管理暫行辦法). The text of the valuation report on Thrive Leap Group is set out in appendix VI to this circular.

The consideration is to be funded by internal resources of the Group.

Conditions

Completion of the Acquisition is conditional upon the following Conditions being satisfied or waived by Century Promise (as the case may be) on or before the Long Stop Date:

(a) the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Agreement and the transactions contemplated thereunder;

(b) Century Promise undertaking and completing a due diligence investigation in respect of Thrive Leap Group (including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, accounts, results, legal and financial structure and shareholding structure of Thrive Leap Group), and Century Promise being satisfied in its absolute discretion with the results of such due diligence investigation in all respects and there is no matter appearing to Century Promise from the due diligence investigation which in the opinion of Century Promise may adversely affect the value of the Sale Shares;

(c) the warranties given by Golden Tripod, Tsinlien and Tianjin Pharmaceutical under the Agreement remaining true and accurate in all material respects;

(d) all necessary registration procedures, approvals and/or consents required by government or relevant regulatory authorities, laws, rules and regulations and contracts in respect of and/or in connection with the transactions contemplated under the Agreement having been completed and/or obtained;

(e) if applicable, all consents and/or waivers from lending banks or financial institutions for entering into the Agreement and the transactions contemplated thereunder having been obtained; and

(f) Century Promise having received a legal opinion issued by its PRC legal adviser in form and substance satisfactory to Century Promise in respect of the matters as specifically set out in the Agreement.

In the event that the above Conditions are not fulfilled or waived by Century Promise (except Conditions (a), (d) and (e) which cannot be waived) by 4:00 p.m. on the Long Stop Date, the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches of the Agreement.

As at the Latest Practicable Date, Century Promise did not have any intention to waive any of the Conditions and the Directors would consider all circumstances and the interest of Century Promise and the Group and the Shareholders as a whole before Century Promise exercises its discretion to waive any of the Conditions.

Completion

Completion shall take place on the 10th business day after all the Conditions have been satisfied or waived (as the case may be) or such other date as the parties to the Agreement may agree in writing.

Guarantee given by Tsinlien and Tianjin Pharmaceutical

Tsinlien and Tianjin Pharmaceutical had jointly and severally and unconditionally and irrevocably guaranteed to Century Promise the due and punctual performance by Golden Tripod of its agreements, obligations, commitments, warranties and undertakings under the Agreement and all the other documents entered into in connection with the Agreement and/or the Acquisition.

Profit Guarantee given by Tsinlien and Tianjin Pharmaceutical

Tsinlien and Tianjin Pharmaceutical had also unconditionally and irrevocably guaranteed to Century Promise that the audited consolidated net profit attributable to owners of Thrive Leap according to the Audited Consolidated Accounts for the financial year ending 31 December 2015 shall be not less than RMB130,000,000 and for the two financial years ending 31 December 2016 and 31 December 2017 shall in aggregate be not less than RMB313,000,000. Tsinlien and Tianjin Pharmaceutical undertake to Century Promise that:

(a) if the audited consolidated net profit attributable to owners of Thrive Leap for the financial year ending 31 December 2015 as shown in the Audited Consolidated Accounts for that financial year falls short of RMB130,000,000 (the "**2015 Profit Target**"), Tsinlien and Tianjin Pharmaceutical shall within 10 business days from the date of issue of the Audited Consolidated Accounts for the financial year ending 31 December 2015 pay to Century Promise in cash an amount equal to 67% of the HK$ Equivalent of the amount of such shortfall; and

(b) if the audited consolidated net profit attributable to owners of Thrive Leap for the two financial years ending 31 December 2016 and 31 December 2017 as shown in the Audited Consolidated Accounts for those two financial years in aggregate falls short of RMB313,000,000 (the "**2016 and 2017 Profit Target**"), Tsinlien and Tianjin Pharmaceutical shall within 10 business days from the date of issue of the Audited Consolidated Accounts for the financial year ending 31 December 2017 pay to Century Promise in cash an amount equal to 67% of the HK$ Equivalent of the amount of such shortfall.

The Audited Consolidated Accounts from which the 2015 Profit Target and the 2016 and 2017 Profit Target will be derived and will be issued by the independent auditors of the Company, which as at the Latest Practicable Date is Deloitte Touche Tohmatsu. The use of net profit as an indicator of a company's financial performance is common in the market and the use of net profit as a benchmark of the Profit Guarantee was agreed between the parties after commercial negotiations on an arm's length basis.

As mentioned in the section headed "*Consideration*", the consideration for the Sale Shares was arrived at after arm's length negotiations between the parties after taking into account, among other things, (i) net asset value of Thrive Leap Group; (ii) historical performance of Thrive Leap Group; (iii) potential growth and prospects of Thrive Leap Group; and (iv) valuation of entire equity interest of Thrive Leap Group as at 31 August 2014. It was not determined with reference to the 2015 Profit Target and the 2016 and 2017 Profit Target.

The 2015 Profit Target and the 2016 and 2017 Profit Target under the Profit Guarantee were mutually agreed between the parties to the Agreement with a view to protect the interest of the Company. As the financial results of Thrive Leap Group for the financial year ended 31 December 2014 was not as good as that of 2013, the rationale behind the Profit Guarantee is to further safeguard the interest of the Company. The basis for determining the 2015 Profit Target was by reference to the annualized amount of profit attributable to owners of Thrive Leap for the three months ended 31 March 2015 plus around 20% increment. The 2016 and 2017 Profit Target was determined with reference to the average of profit attributable to owners of Jinhao for the three years ended 31 December 2012, 2013 and 2014 plus around 20% increment.

The 2015 Profit Target and the 2016 and 2017 Profit Target will be derived from the ordinary and usual course of business of Thrive Leap Group.

As the Group is acquiring only 67% of the issued share capital of Thrive Leap, the Directors consider that it is fair and reasonable for Century Promise to receive a payment which represents 67% of the relevant amount falling short of the 2015 Profit Target and/or the 2016 and 2017 Profit Target, which is in proportion to its ownership percentage in Thrive Leap after Completion.

The Company will publish announcements informing the Shareholders on whether the 2015 Profit Target and the 2016 and 2017 Profit Target have been met after the end of the financial year ending 31 December 2015 and the financial year ending 31 December 2017. In the event that the 2015 Profit Target or the 2016 and 2017 Profit Target cannot be met, the Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules by disclosing in the announcement and its next annual report the shortfall to the 2015 Profit Target and/or the 2016 and 2017 Profit Target (as the case may be), whether Tsinlien and Tianjin Pharmaceutical had fulfilled their obligations under the Profit Guarantee and the independent non-executive directors' opinion on whether Tsinlien and Tianjin Pharmaceutical had fulfilled their obligations under the Profit Guarantee, and will also set out the particulars on how the Group will enforce the obligations of Tsinlien and Tianjin Pharmaceutical under the Profit Guarantee.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, Thrive Leap will become a 67%-owned subsidiary of the Company and the financial results of Thrive Leap Group will be included in the consolidated financial statements of the Group.

As set out in the accountants' report of Thrive Leap in appendix II to this circular, the revenue and profit after tax of Thrive Leap Group for the year ended 31 December 2014 was approximately HK$1,490.8 million and HK$114.3 million respectively. On this basis, it is expected that the consolidation of Thrive Leap Group would have a positive impact on the Group's revenue and earnings after Completion.

Set out in appendix IV is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effects of the Acquisition on the assets and liabilities of the Group assuming the completion of the Acquisition had taken place on 31 December 2014.

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group set out in appendix IV to this circular, the total assets of the Group would increase from approximately HK$19,311.3 million to approximately HK$22,113.8 million; and its total liabilities would increase from approximately HK$7,012.8 million to approximately HK$8,111.8 million, as a result of the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is committed to optimize its business structure and to actively participate in the restructuring of state-owned assets in Tianjin. Taking into consideration the following factors, the Directors believe that the Acquisition will provide the Group with a platform to capture the market potential of pharmaceutical industry in the PRC:

(a) *Consistent with the long term development strategy of the Group*

It is the Group's long term development strategy to develop core businesses with a view to enhancing the Group's business portfolio and the Acquisition is consistent with such strategy. After Completion, the Group will be able to utilize the advantages of both listed platforms in Hong Kong and the PRC to further develop and expand its pharmaceutical business.

(b) *Opportunities for development of the pharmaceutical industry in the PRC as a result of the PRC government policies*

Various medical related policies promulgated by the PRC government such as the rise in per capita funding standards for social medical insurance and increase in the number of medical centers and clinics all lead to continuous demand for pharmaceutical products, thereby contributing to the growth and the development of the pharmaceutical industry.

(c) *Huge market potential of the pharmaceutical industry in the PRC*

With expected increase in the aging population in the PRC as well as the lengthening of the average life expectancy, it is expected that there will be a substantial demand for medication in respect of chronic diseases, and accordingly there is huge market for the pharmaceutical industry in the PRC, and the pharmaceutical manufacturing business will have a relative advantage. The acceleration in urbanization will also make the basic healthcare insurance coverage becoming more accessible to a wider population, which is expected to further support the development of the pharmaceutical industry in the PRC.

(d) *Acquisition of a one stop industrial chain*

Other than Lisheng which is a pharmaceutical products manufacturer, the Acquisition also included Research Institute and Yiyao Printing, which complement the manufacturing business of Lisheng. Upon Completion, the Group will have a one stop industrial chain from pharmaceutical products research and development to products manufacturing and packaging.

(e) *Financial and economic benefits*

The Board believes that the Acquisition will broaden the revenue base of the Group and contribute profits to the Group. In addition, the three-year profit guarantee from Tsinlien and Tianjin Pharmaceutical would further safeguard the interest of the Group.

Thrive Leap Group has a solid business foundation and extensive research and development and pharmaceutical products manufacturing capabilities in the PRC. Following the Completion, the Group will be able to benefit from such value chain. The Board believes that the Acquisition will provide the Company with a platform to capture the massive market potential of the pharmaceutical industry and broaden its revenue source as well as enlarge the earning base of the Group.

The Directors (including the independent non-executive Directors after considering the opinion of Investec) consider that the terms of the Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As Mr. Zeng Xiaoping and Mr. Wang Zhiyong, executive Directors, are also directors of Tsinlien, and Dr. Cui Di, executive Director, is also a director of both Golden Tripod and Tsinlien, all of them are regarded as having a material interest in the Acquisition and the transactions contemplated under the Agreement and had all abstained from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder. In addition, as Mr. Cheung Wing Yui, Edward, non-executive Director, is a consultant of Messrs. Woo Kwan Lee & Lo which provides legal and professional services to the Group in respect of the Acquisition, he has voluntarily abstained from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder.

GENERAL

The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water, heat and thermal power; (ii) hotel; (iii) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (iv) strategic and other investments including investments in associates which are principally engaged in the manufacture of elevators and escalators and provision of port services in Tianjin.

Tsinlien is an investment holding company incorporated in Hong Kong and indirectly entirely-owned by the Tianjin Government. Its subsidiaries (excluding the Group) are principally engaged in the business of (i) manufacturing and trading of watches; (ii) manufacture and sale of pharmaceutical products, and the provision of pharmaceutical research and development services; and (iii) strategic and other investments including investment in associate which is principally engaged in the production, sale and distribution of winery products.

Golden Tripod is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Tsinlien.

Tianjin Pharmaceutical is a state-owned enterprise established in the PRC. It principally engages in the manufacture and sale of a broad range of pharmaceutical products, research and development, and provision of related consultancy services.

LISTING RULES IMPLICATIONS

Major and connected transaction

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, since Tsinlien is the controlling Shareholder directly and indirectly holding a total of 673,219,143 shares of the Company (representing approximately 62.76% of the total number of issued shares of the Company) as at the Latest Practicable Date, and Golden Tripod and Tianjin Pharmaceutical are a wholly-owned subsidiary and the holding company of Tsinlien respectively, Tsinlien, Golden Tripod and Tianjin Pharmaceutical are all connected persons of the Company under Chapter 14A of the Listing Rules. The Acquisition therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are not less than 5% and the consideration is not less than HK$10,000,000, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Tsinlien and Tianjin Pharmaceutical and their respective associates will abstain from voting in respect of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Potential continuing connected transactions

As Tianjin Pharmaceutical is a connected person of the Company, and Thrive Leap Group will become part of the Group upon Completion, any transactions continuing between Thrive Leap Group and Tianjin Pharmaceutical Group after Completion will become continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, there were outstanding loans in the aggregate of RMB146,664,555 (equivalent to approximately HK$185,651,000) due from Thrive Leap Group to Tianjin Pharmaceutical which are unsecured, non-interest bearing and having no fixed term of repayment. As such loans were entered into on normal commercial terms or better to Thrive Leap Group and the Group and were not secured by any assets of Thrive Leap Group or the Group, pursuant to Rule 14A.90 of the Listing Rules, such loans will be fully exempt from any disclosure, annual review or independent shareholders' approval requirements under the Listing Rules after Completion.

Other than the above, it is also expected that members of Thrive Leap Group may from time to time in the ordinary course of business enter into other continuing connected transactions with members of Tianjin Pharmaceutical Group after Completion. The

Group will comply with the relevant requirements under the Listing Rules with regard to any continuing connected transactions that may continue or arise after Completion as appropriate.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is the notice of EGM at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the Agreement and the transactions contemplated thereunder. A form of proxy for use at the EGM is enclosed herewith.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution put to vote at the EGM will be taken by way of poll.

An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATIONS

An Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Investec has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 21 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders; and (ii) the letter from Investec as set out on pages 22 to 45 of this circular which contains the recommendation from Investec to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the principal factors and reasons considered by Investec in arriving at its recommendation.

The Directors (including the independent non-executive Directors after considering the opinion of Investec) consider that the terms of the Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Directors would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Tianjin Development Holdings Limited
Zeng Xiaoping
Chairman

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 882)

21 August 2015

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 67% OF THE ISSUED SHARE CAPITAL OF THRIVE LEAP LIMITED

We refer to the circular of the Company to the Shareholders dated 21 August 2015 (the "**Circular**") of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Investec has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in the same regard.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 20 of the Circular and the letter from Investec as set out on pages 22 to 45 of the Circular.

Having considered the principal factors and reasons considered by, and the opinion of Investec, we consider that the terms of the Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
The Independent Board Committee
Tianjin Development Holdings Limited
Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu
Independent non-executive Directors

The following is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular.

Investec

Investec Capital Asia Limited
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21 August 2015

To: The Independent Board Committee and
the Independent Shareholders of
Tianjin Development Holdings Limited

Dear Sirs/Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 67% OF THE ISSUED SHARE CAPITAL OF THRIVE LEAP LIMITED

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the transactions contemplated under the Agreement. Details of the Agreement are contained in the letter from the Board (the "**Letter from the Board**") of the circular to the Shareholders dated 21 August 2015 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 22 July 2015, Century Promise, Golden Tripod, Tsinlien and Tianjin Pharmaceutical entered into the Agreement, pursuant to which, the Company, through Century Promise, conditionally agreed to acquire, and Golden Tripod conditionally agreed to dispose, the Sale Shares, representing 67% of the issued share capital of Thrive Leap, for a consideration of RMB2,315,855,000 (equivalent to approximately HK$2,931,462,000) (the "**Consideration**").

Upon Completion, Thrive Leap will become a subsidiary of the Company.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, since Tsinlien is the controlling Shareholder, Tianjin Pharmaceutical is the holding company of Tsinlien and Golden Tripod is a wholly-owned subsidiary of Tsinlien, each of them is a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction of the Company. As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are not less than 5% and the consideration is not less than HK$10,000,000, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Tsinlien and Tianjin Pharmaceutical and their respective associates will abstain from voting on the ordinary resolution to be proposed at the EGM for the approval of the Agreement and the transactions contemplated thereunder.

The Board currently consists of thirteen Directors, namely Mr. Zeng Xiaoping, Mr. Wang Zhiyong, Mr. Tuen Kong, Simon, Dr. Cui Di, Ms. Zhang Lili, Dr. Yang Chuan as executive Directors, Mr. Cheung Wing Yui, Edward and Dr. Chan Ching Har, Eliza as non-executive Directors, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu as independent non-executive Directors.

The Independent Board Committee comprising all of the independent non-executive Directors, namely, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu, has been established to advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Agreement and the transactions contemplated thereunder for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

As at the Latest Practicable Date, we were independent from and not connected with the Group, Golden Tripod, Tsinlien and Tianjin Pharmaceutical pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the Agreement. In addition to our appointment as the Independent Financial Adviser, Investec in the last two years has also acted as the independent financial adviser to the then independent board committee and then Shareholders in respect of the disposal of a wholly-owned subsidiary of the Company, its sole asset of significance is a controlling stake in a company, the shares of which were listed on the main board of the Stock Exchange but were suspended at the time of the disposal, pursuant to an agreement entered into between the Company and a connected person of the Company in May 2014. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff (the "**Management**") and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate and valid in all material respects at the time they were made and given and continue to be true and valid in all material respects as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information and documents 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 advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, Tianjin Pharmaceutical, Tsinlien, Golden Tripod, Thrive Leap and their respective subsidiaries or the prospects of the markets in which they respectively operate.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the terms of the transactions contemplated under the Agreement, we have taken into consideration the following principal factors and reasons, including the background information of the parties and principal assets under the Acquisition as well as an overview of the pharmaceutical market in the PRC.

1. Background information of the Group

The Group is a diversified conglomerate and is principally engaged in (i) utilities including supply of electricity, water, heat and thermal power; (ii) hotel; (iii) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (iv) strategic and other investments including investments in associates which are principally engaged in the manufacture of elevators and escalators and provision of port services in Tianjin. The five reporting segments of the Group has been classified as (i) utilities; (ii) hotel; (iii) electrical and mechanical; (iv) port services; and (v) elevators and escalators.

Set out below is the summary of the Group's consolidated statements of profit or loss and consolidated statement of financial position as extracted from the Company's annual report for the year ended 31 December 2014 (the "**2014 Annual Report**") in respect of the two years ended 31 December 2014:

	For the year ended 31 December	
	2014	**2013**
	HK$ million	*HK$ million*
Approximate	*(Audited)*	*(Audited)*
Revenues	5,322.8	4,952.4
Profit for the year	789.8	774.9
— attributable to owners of the Company	708.7	704.4
— attributable to non-controlling interests	81.1	70.5

	As at 31 December	
	2014	**2013**
	HK$ million	*HK$ million*
Approximate	*(Audited)*	*(Audited)*
Cash and cash equivalents	5,640.9	4,489.9
Total assets	19,311.3	17,606.7
Total liabilities	7,012.8	5,802.1
Total equity	12,298.5	11,804.5
— attributable to owners of the Company	11,440.8	11,026.8
— attributable to non-controlling interests	857.8	777.8

For the year ended 31 December 2014, the Group recorded revenue and profit for the year attributable to owners of the Company of approximately HK$5,322.8 million and HK$708.7 million, respectively, representing an increase of approximately 7.5% and 0.6%, respectively, from such for the year ended 31 December 2013.

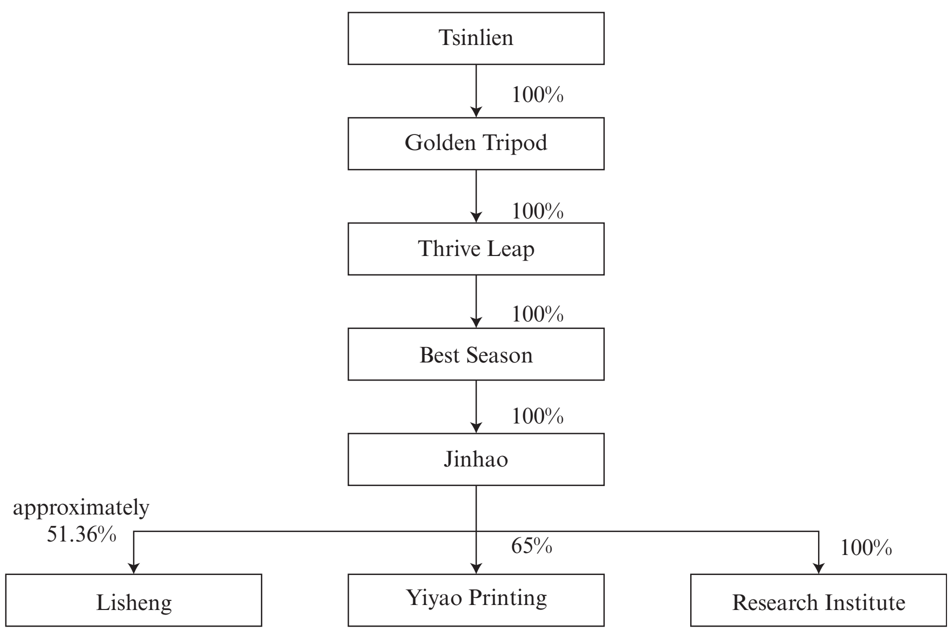
As at 31 December 2014, the Group held cash and cash equivalents of approximately HK$5,640.9 million. The Group recorded total assets of approximately HK$19,311.3 million, total liabilities of approximately HK$7,012.8 million and total equity attributable to owners of the Company of approximately HK$11,440.8 million as at 31 December 2014.

2. Background information of the Thrive Leap Group

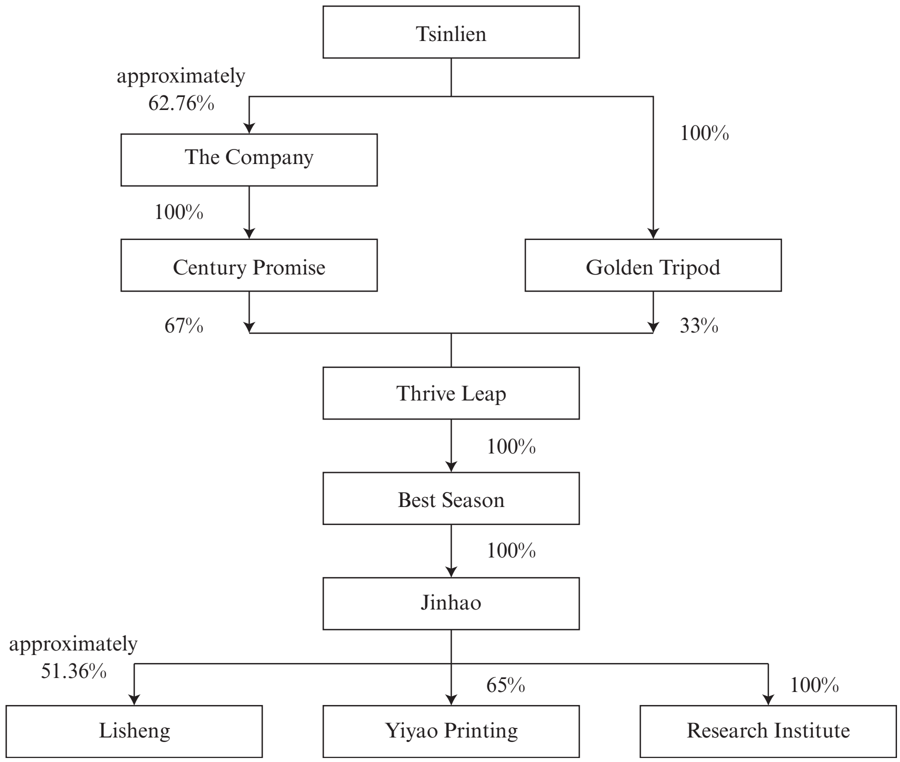
2.1. Shareholding structure of the Thrive Leap Group before and after Completion

Set out below is the simplified group structure of the Thrive Leap Group (i) as at the date of the Agreement; and (ii) immediately upon the Completion. For information purposes only, Tsinlien is an indirect wholly-owned subsidiary of the Tianjin Government as at the Latest Practicable Date:

As at the date of the Agreement



Immediately upon the Completion



2.2. *Background of Thrive Leap and the Thrive Leap Group*

The Thrive Leap Group was wholly-owned by Tsinlien, through Golden Tripod, as at the Latest Practicable Date. The Management advised that the principal operating subsidiaries of the Thrive Leap Group include (i) Lisheng; (ii) Yiyao Printing; and (iii) Research Institute, which are indirectly owned as to approximately 51.36%, 65.0% and 100.0% by Thrive Leap, respectively.

As set out in the Letter from the Board, Thrive Leap has no business operation since its incorporation save for the holding of 100% interest in Best Season. Best Season has no business operation since its incorporation other than the holding of 100% equity interest in Jinhao.

The consolidated audited net profit attributable to the owners of Jinhao was approximately HK$232.5 million and HK$42.4 million for the years ended 31 December 2013 and 2014 respectively as set out in Appendix III to the Circular. As set out under the management discussion and analysis on the Thrive Leap Group in Appendix V to the circular, the aforesaid decrease in net profit was primarily attributable to the decrease in revenue from sale of pharmaceutical products attributable to the change in sales mix, as a result of (i) modification works associated with new Good Manufacturing Practice ("**GMP**") requirements which is pre-requisite to obtaining the listing to the new GMP accreditation; and (ii) tenders on certain major products in various geographical regions were not awarded to the relevant group companies. The decrease in net profit was also attributable to the rise in expenses relating to salaries and benefit expenses and the increase in research and development costs. Notwithstanding the above, as set out in the announcement of Lisheng dated 15 January 2015, the new GMP accreditation was granted in January 2015 and shall remain valid until January 2020.

As set out in Appendix III to the Circular, the consolidated net profit attributable to the owners of Jinhao increased notably from approximately HK$22.7 million and HK$31.9 million for the three months ended 31 March 2014 and 2015 respectively, representing an increase of approximately 40.5%. The aforesaid increase was primarily due to the increase in revenue from provision of research and development services and transfer of technical know-how and decrease in expenses relating to selling and administrative expenses, partially offset by the reduction in revenue from sale of pharmaceutical products as a result of continued implementation of adjustment in sales mix. With the granting of new GMP accreditation in January 2015, the production line in manufacturing of tablet and hard capsule are GMP compliant.

The Management advised that on the back of its new GMP accreditation and the Thrive Leap Group's established business platform, the Thrive Leap Group intends to continue its efforts to increase its market penetration in the PRC. Given the potential of the pharmaceutical industry in the PRC, the Board is of the view that the Acquisition will enable the Group to diversify and broaden its business base with a view to generate economic benefits and create shareholders' value.

2.3. Background of Lisheng and the Lisheng Group

Lisheng is a joint stock limited company established under the laws of the PRC on 17 June 1981, the A Shares of which are listed on the Shenzhen Stock Exchange (Stock code: 002393.SZ) since 2010.

As set out in the Letter from the Board, Lisheng and its subsidiaries (the "**Lisheng Group**") are principally engaged in the manufacturing and sale of chemical drugs in the PRC. Its main products include drugs for cardio and cerebral vascular systems, anti-infection drugs and hormone drugs. Lisheng was granted with the title of "Top 100 Industrial Enterprises in terms of comprehensive strength in the PRC pharmaceutical industry in 2014"* (二零一四中國化學製藥行業工業企業綜合實力百強), its exclusive product, namely the Shoubishan indapamide tablets (壽比山牌吲達帕胺片) was granted with the title of "Outstanding Enterprise Brands in anti-hypertensive category of the PRC chemical pharmaceutical industry in 2014"* (二零一四中國化學製藥行業降血壓類優秀產品品牌).

The Management considers the Lisheng group to be a sizeable business with an established operating history supported by past financial performance.

As at 31 December 2014, the Lisheng Group recorded consolidated net assets attributable to owners of the company of approximately RMB2,909.9 million.

2.4. Background of Yiyao Printing and Research Institute

As set out in the Letter from the Board, Yiyao Printing, established in March 1993 and became a limited liability company under the laws of the PRC since March 2004, and its subsidiary are principally engaged in the design, manufacturing and printing for pharmaceutical packaging and sale of other paper-based packaging materials. As set out in the website of Yiyao Printing, it holds a valid British Royal Standards Association BSI Certification, ISO9001 International Quality System and ISO14001 Environment System Authentication.

Research Institute is a limited liability company established under the laws of the PRC. As set out in the Letter from the Board, Research Institute was founded in 1959 and a former research institute of the State Food and Drug Administration of the PRC which specialised in research and development of new medicine technology and new products. Overtime, Research Institute has developed into a High-tech Enterprise* (高新技術企業), principally engaged in new drug research, technology commercialization and production of new drugs and is regarded as an Innovative Enterprise* (創新型企業), and a National Model Unit of Intellectual Property Enterprise* (國家級智慧財產權示範企業) of the PRC.

The business scope of Research Institute includes researches on areas such as pharmaceutical knowledge, pharmaceutical chemistry, pharmaceutical preparations, modern Chinese medicine, safety evaluation of new drugs and drug metabolism, and specializes in the research and development of innovative medicines and technology improvements of Chinese medicine, chemical medicine and biotechnological medicine.

As set out in the Letter from the Board, Research Institute has established a post-doctoral research station and doctorate or master training centers at colleges and universities such as Tianjin University, Tianjin Medical University and Tianjin University of Traditional Chinese Medicine. The Board also considers that the Research Institute has a number of leading scientists and research staff, including endowed experts of the Tianjin Government* (天津市授銜專家).

As set out in the Letter from the Board, the unaudited consolidated net asset value of each of Yiyao Printing and Research Institute amounted to approximately HK$204.5 million and HK$681.7 million, respectively.

Further background information of Lisheng, Yiyao Printing and Research Institute is set out in the Letter from the Board under the paragraph headed "Information on the Thrive Leap Group".

3. Background information of the pharmaceutical industry in the PRC

The PRC pharmaceutical industry has experienced rapid growth during the past few years. According to Southern Medicine Economic Institute ("**SMEI**") of the PRC and *www.pharmnet.com.cn* (醫藥網), the total production value of national medical and pharmaceutical industry in the PRC increased from approximately RMB994.7 billion in 2009 to approximately RMB2,579.6 billion in 2014, representing a compound annual growth rate of approximately 21.0%, which active pharmaceutical ingredients industry and chemical dosage forms industry comprised of the two largest segments. This rapid increase is attributable to a few favourable factors, including increasing disposable income, aging population and continuing urbanisation and supportive government healthcare policy reforms in the PRC. Increase in the growth rate of medicine market in the PRC is expected to continue in the near future for the pharmaceutical industry.

The PRC government has implemented a medical reform plan to encourage and promote the development of the PRC medical industry. As part of the Eleventh Five-Year Plan for National Economic and Social Development of the PRC (2006–2010), the PRC government has provided a number of incentives and enacting programs to improve the affordability and accessibility of medical services and products.

In 2009, the PRC government unveiled plans to overhaul of the healthcare system, including: (i) to increase the basic medical insurance ("**BMI**") coverage among the population in the PRC from 65% to 90% by 2011; (ii) to revise the national Essential Drugs List, medicines reimbursable under BMI; and (iii) to allow the National Development and Reform Commission ("**NDRC**") to more strictly regulate pricing.

As part of the subsequent Twelfth Five-Year Plan for National Economic and Social Development of the PRC (2011–2015), the PRC government sets out to make available more medical resources to the rural population and the suburban communities, in particular, aiming to improve the social medical insurance program, increase the amount of benefits under such program, continue to implement the essential medicines program, as well as increase the number of community healthcare centres and clinics. By 2012, the population covered by the social medical insurance system run by the PRC government increased to approximately 1.3 billion, according to SMEI.

More recently, NDRC set out in a statement released in May 2015 that "government-set prices on most drugs will be cancelled to improve purchasing mechanisms for drugs, control medical insurance costs and allow the price of medicines to be set by the market" with effect from 1 June 2015.

In addition to the above, the Management is of the view that the various medical related policies promulgated by the PRC government such as the rise in per capita funding standards for social medical insurance and increase in the number of medical centers and clinics all lead to continuous demand for pharmaceutical products, benefit the pharmaceutical industry and on this basis the Management is optimistic on the future prospects of the pharmaceutical industry as a whole.

4. Reasons for and benefits of entering into the Agreement

4.1 Consistent with the long term development strategy of the Group

The Management advised that it is the strategy of the Group to enhance its business portfolio and that the Acquisition is consistent with such strategy. Furthermore, we understand from the Management that the Group shall utilise the advantages of both listed platforms in Hong Kong and the PRC to further develop and expand the pharmaceutical business.

4.2 Prospects of the pharmaceutical industry in the PRC

Details of the background of the pharmaceutical industry in the PRC have been set out under the paragraph headed "3. Background information of the pharmaceutical industry in the PRC" above, the Management advised that they are optimistic about the long term prospects and potential of the pharmaceutical industry in the PRC attributable to (i) the expected growth in GDP and disposable income; (ii) increase in health awareness of the public; (iii) the PRC's aging population as well as the lengthening of the average life expectancy; and (iv) the increase in PRC urban population.

4.3 Established track record of Lisheng

The Management advised that Lisheng has an established track record exceeding 30 years in the pharmaceutical industry in the PRC with recognised brand names including "壽比山", "益欣雪", "暢美" and "三魚". The A shares of Lisheng have been listed on the Shenzhen Stock Exchange since 2010. Lisheng Group has a sizeable operation and proven financial performance as evidenced by recording profits for the past five financial years.

The Board considers that the Enlarged Group will benefit from the one stop business model under the Thrive Leap group with all major stages of the pharmaceutical industry value chain from research and development to pharmaceutical product manufacturing shall provide the Company with a platform to capture the market potential of the pharmaceutical industry.

4.4 An opportunity to obtain control over operating assets with relatively attractive margin compared to other existing segments of the Group

As set out in the 2014 Annual Report, the Group has five operating segments, namely (i) utilities; (ii) hotel; (iii) electrical and mechanical; (iv) port services; and (v) elevators and escalators. The Group derived revenue from segment (i), (ii) and (iii), and shared the profit of its associates in respect of segment (iv) and (v).

The segment profit margins for the year ended 31 December 2012, 2013 and 2014 were calculated based on the segmental reporting information extracted from the annual report for the year ended 31 December 2013 and the 2014 Annual Report which is set out below:

Table 4.1: Segment results of the Group

HK$'000	**Utilities**	**Hotel**	**Electrical and mechanical**	**Port services**	**Elevators and escalators**
For the year ended 31 December 2014					
Segment revenue	3,930,850	118,517	1,273,437	—	—
Segment profit/(loss) after tax *(Note 1)*	73,207	22,334	(173,778)	171,954	525,200
Segment profit ratio	1.9%	18.8%	Negative margin	N/A	N/A
For the year ended 31 December 2013					
Segment revenue	3,832,059	117,823	1,002,547	—	—
Segment profit after tax *(Note 1)*	68,813	14,437	19,834	170,320	383,876
Segment profit ratio	1.8%	12.3%	2.0%	N/A	N/A
For the year ended 31 December 2012					
Segment revenue	3,772,471	117,923	— *(Note 2)*	—	—
Segment profit after tax *(Note 1)*	23,109	1,539	— *(Note 2)*	148,217	417,860
Segment profit ratio	0.6%	1.3%	— *(Note 2)*	N/A	N/A

Notes:

(1) including non-controlling interest

(2) the acquisition of the operations under the electrical and mechanical segment was completed on 31 December 2012

We note from Table 4.1 above that for the year ended 31 December 2014, the hotel segment recorded the highest segment profit ratio of approximately 18.8%, but in absolute terms contributed the least amongst the four profit contributing segments.

In respect of the port services segment and the elevators and escalators segment, the Company does not have a controlling interest in the relevant companies which are held as passive investments. Accordingly, their revenues are not consolidated into the consolidated statement of profit or loss of the Company.

Based on the historical consolidated revenue and the net profit of Jinhao for the year ended 31 December 2012, 2013 and 2014, the respective net profit margin is approximately 21.7%, 23.3% and 7.7%, with an average of approximately 17.6%, which is only slightly lower than the highest segment profit ratio of approximately 18.8% from the existing segments of the Group for each of the three years ended 31 December 2012, 2013 and 2014.

4.5 Guaranteed return under the Agreement

Pursuant to Agreement, the profit guarantees (the "**Profit Guarantees**") on the audited consolidated net profit attributable to owners of Thrive Leap for the financial years ending 31 December 2015, 2016 and 2017 under the Agreement shall be not less than (i) RMB130.0 million (equivalent to approximately HK$164.6 million) for the financial year ending 31 December 2015 (the "**2015 Guaranteed Profit Amount**"); and (ii) RMB313.0 million (equivalent to approximately HK$396.2 million) for the two financial years ending 31 December 2016 and 2017 in aggregate (the "**2016 and 2017 Guaranteed Profit Amount**"). The Profit Guarantees were intended to provide a degree of comfort to the Group to cushion any profit shortfall during the guarantee period whilst Lisheng is refocusing its market focus and strategy with the view of enhancing its profitability.

4.6 Broaden the revenue base of the Group

The Acquisition enables the Group to expand into the pharmaceutical market in the PRC. The Management advised that in acquiring a controlling equity interest in Lisheng, the Group will have a fully functional pharmaceutical manufacturer of chemical drugs with an established sales network and track record as well as an experienced management team upon completion of the Acquisition. In addition, the Management is of the view that the acquisition of 65% equity interest in Yiyao Printing and 100% equity interest in Research Institute will complement the operations of Lisheng thereby creating an integrated platform for the Group to capture future market opportunities, broaden the revenue base of the Group and enhance the earning capabilities of the Group.

5. Terms and conditions of the Agreement

Summary of the terms and conditions of the Agreement has been set out in the Letter from the Board in the Circular.

Pursuant to the Agreement, the Company, through Century Promise, conditionally agreed to acquire, and Golden Tripod conditionally agreed to dispose, the Sale Shares, representing 67% of the issued share capital of Thrive Leap, for a cash consideration of RMB2,315,855,000 (equivalent to approximately HK$2,931,462,000).

Completion of the Acquisition is conditional upon certain Conditions being satisfied or waived by Century Promise (as the case may be) on or before the Long Stop Date, a summary of which is set out below:

(i) the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Agreement and the transactions contemplated thereunder;

(ii) Century Promise undertaking and completing a due diligence investigation in respect of the Thrive Leap Group, and Century Promise being satisfied with the results of such due diligence investigation in all respects;

(iii) the warranties given by Golden Tripod, Tsinlien and Tianjin Pharmaceutical under the Agreement remaining true and accurate in all material respects;

(iv) all necessary registration procedures, approvals and/or consents required by government or relevant regulatory authorities, laws, rules and regulations and contracts in respect of and/or in connection with the transactions contemplated under the Agreement having been completed and/or obtained;

(v) if applicable, all consents and/or waivers from lending banks or financial institutions for entering into the Agreement and the transactions contemplated thereunder having been obtained; and

(vi) Century Promise having received a legal opinion issued by its PRC legal adviser in form and substance satisfactory to Century Promise in respect of the matters as specifically set out in the Agreement.

In the event that the above Conditions are not fulfilled or waived by Century Promise (except Conditions (i), (iv) and (v) which cannot be waived) by 4:00 p.m. on the Long Stop Date, the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches of the Agreement.

We note from the Letter from the Board, Century Promise did not have any intention to waive any of the Conditions as at the Latest Practicable Date and would consider all circumstances and the interest of Century Promise and the Group as a whole before exercising its discretion to waive any of the Conditions.

Consideration

The Consideration for the Sale Share shall be RMB2,315,855,000 (equivalent to approximately HK$2,931,462,000) and shall be payable by Century Promise to Golden Tripod in cash in the following manners:

(i) the sum of RMB1,389,513,000 (being 60% of the consideration) shall be paid within five days after Completion as part payment of the Consideration; and

(ii) the sum of RMB926,342,000 (being the balance of the consideration) shall be paid within 90 days after Completion.

Profit Guarantees

Pursuant to the Agreement, Tsinlien and Tianjin Pharmaceutical had unconditionally and irrevocably guaranteed to Century Promise that the audited consolidated net profit attributable to owners of Thrive Leap shall not be less than (i) RMB130.0 million (equivalent to approximately HK$164.6 million) for the year ending 31 December 2015; and (ii) RMB313.0 million (equivalent to approximately

HK$396.2 million) for the years ending 31 December 2016 and 2017 in aggregate (i.e. the Profit Guarantees). Further details on the Profit Guarantees including its basis and rationale are set out in the Letter from the Board.

For further details on terms in relation to, among others, Completion, guarantee given by Tsinlien and Tianjin Pharmaceutical, Profit Guarantees pursuant to the Agreement, please refer to the Letter from the Board.

6. Analysis on the Consideration

As set out in the Letter from the Board, the Consideration of approximately RMB2,315,855,000 (equivalent to approximately HK$2,931,462,000) for the acquisition of the Sale Shares, was arrived at after arm's length negotiations between the relevant parties after taking into account, among other things, (i) net asset value of Thrive Leap Group; (ii) historical performance of Thrive Leap Group; (iii) potential growth and prospect of Thrive Leap Group; (iv) valuation of the entire equity interest of Thrive Leap Group of RMB3,456,500,000 (equivalent to approximately HK$4,375,316,000) as at 31 August 2014, conducted by Vigers.

Thrive Leap indirectly owns (i) approximately 51.36% equity interest of Lisheng; (ii) 65% equity interest of Yiyao Printing; and (iii) 100% equity interest of Research Institute.

6.1 Thrive Leap Group — Earnings multiple based on Profit Guarantees and Price-to-book ratio (the "P/B ratio") comparison

Pursuant to the Agreement, the 2015 Guaranteed Profit Amount is RMB130.0 million (equivalent to approximately HK$164.6 million) and the 2016 and 2017 Guaranteed Profit Amount is RMB313.0 million (equivalent to approximately HK$396.2 million). On this basis, the average yearly guaranteed consolidated net profit attributable to owners of Thrive Leap is approximately RMB147.7 million (equivalent to approximately HK$187.0 million) (the "**Average Yearly Guaranteed Profit**"). Accordingly, the implied valuation of 100% of Thrive Leap based on the Consideration for 67% issued share capital of Thrive Leap would be approximately RMB3,456.5 million which equates to a multiple of approximately 23.4 times (the "**PGE Multiple**") of the Average Yearly Guaranteed Profit of approximately RMB147.7 million.

Based on the audited consolidated financial statements of Thrive Leap, the equity attributable to the owners of Thrive Leap amounted to approximately HK$2,621.1 million as at 31 December 2014. On this basis, the implied price-to-book ratio is calculated to be approximately 1.7 times (i.e. HK$2,931.5 million/67% = HK$4,375.4 million (implied valuation of 100% of Thrive Leap based on the Consideration)/ HK$2,621.1 million = 1.7 times).

As advised by the Management, (i) a majority of the revenue for the year ended 31 December 2014 of the Thrive Leap Group were attributable to the Lisheng Group; (ii) the A shares of Lisheng are listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB7.5 billion as at the date of the Agreement (the "**Last Trading Day**"); and (iii) the Lisheng Group operates in and derived a majority of their revenue from the pharmaceutical industry in the PRC and that the operations of Yiyao Printing and Research Institute complements the business development of the Lisheng Group. On this basis, we have identified, to the best of our knowledge, a complete and exhaustive list of six pharmaceutical companies (the "**Comparable Companies**") with the following characteristics, (i) the A shares of which are listed on the Shenzhen Stock Exchange (excluding the growth enterprise board* (創業板)); (ii) a market capitalisation (based on the closing price of the A shares as at the Latest Trading Day) of no less than RMB6.0 billion but no more than RMB9.0 billion; (iii) the trading of A shares was not suspended on the Last Trading Day; and (iv) majority of their revenue for the latest completed financial year was derived from the manufacturing and sale of chemical drugs in the PRC (together the "**Criteria**"). As the characteristics of the A shares market are different from the Stock Exchange, including, (i) the restricted participation of foreign investors in the A shares market, while there are no such restrictions imposed by the Stock Exchange, thus investor base is different; (ii) the A shares are traded in Renminbi, which is not a freely convertible currency unlike the Hong Kong dollar; (iii) the price differentiates in numerous A-shares compared to their H-shares counterparts indicate that there are differences in the valuation between A shares listed companies and the listed companies on the Stock Exchange; and (iv) the differences in regulatory environment in the PRC and Hong Kong. Based on the above, the Comparable Companies are selected based on the stated Criteria and Hong Kong listed companies do not fall within the scope of the Criteria.

The following table sets out (i) the PGE Multiple and the P/B ratio of the Thrive Leap Group based on the Consideration; and (ii) the price-to-earnings attributable to owners of the company (the "**P/E ratio**") and the P/B ratio of the Comparable Companies based on the respective closing share price as at the Last Trading Day for comparison purposes.

Table 6.1: Comparison of the Comparable Companies

Company name	Stock Code	Market Capitalisation as at the Last Trading Day *(RMB billion)*	P/E ratio (note 1) /PGE Multiple *(approximate)*	P/B ratio (note 2) *(approximate)*
Shandong Shanda Wit Science and Technology Co. Ltd.* (山東山大華特科技股份有限公司)	000915	8.5	39.1 times	8.8 times
Jiuzhitang Co. Ltd.* (九芝堂股份有限公司)	000989	8.8	36.0 times	5.5 times
Jilin Zixin Pharmaceutical Industrial Co. Ltd.* (吉林紫鑫藥業股份有限公司)	002118	8.2	173.6 times	4.1 times
Zhejiang Xianju Pharmaceutical Co. Ltd.* (浙江仙琚製藥股份有限公司)	002332	8.6	151.5 times	7.1 times
Hunan Hansen Pharmaceutical Co. Ltd.* (湖南漢森製藥股份有限公司)	002412	7.1	60.6 times	6.4 times
Kunming Longjin Pharmaceutical Co. Ltd.* ("**Longjin**") (昆明龍津藥業股份有限公司)	002750	7.5	118.7 times	26.4 times *(Note 3)*
Maximum			173.6 times	8.8 times *(Note 3)*
Minimum			36.0 times	4.1 times
Average			96.6 times	6.4 times *(Note 3)*
Thrive Leap Group				
— PGE Multiple			23.4 times	
— P/B ratio				1.7 times

Notes:

(1) P/E ratio is calculated based on the profit for the year attributable to the owners for the latest completed financial year divided by the market capitalisation as at the Last Trading Day.

(2) P/B ratio is calculated based on the equity attributable to the owners as at the year end of the latest completed financial year divided by the market capitalisation as at the Last Trading Day.

(3) Given the P/B ratio of Longjin is notably higher than the rest of the Comparable Companies, such P/B ratio was excluded from the analysis under Table 6.1 above.

Source: Bloomberg

As set out from the table above, (i) the P/E ratio of the Comparable Companies ranged from approximately 36.0 times to 173.6 times; and (ii) the P/B ratio of the Comparable Companies ranged from approximately 4.1 times to 8.8 times. On this basis, the PGE

Multiple of approximately 23.4 times and P/B ratio of approximately 1.7 times are both below the average of the P/E ratio and P/B ratio of the Comparable Companies, respectively.

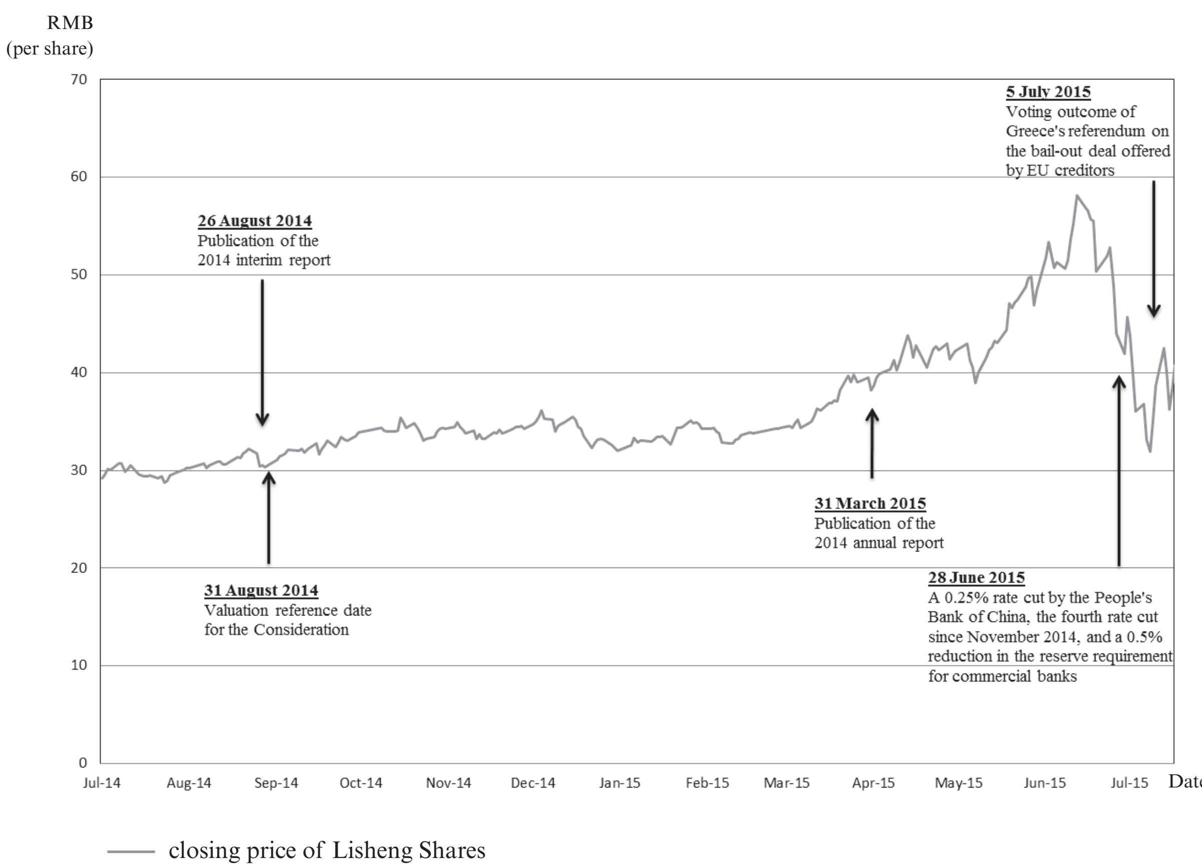
Notwithstanding the above, given the A shares of Lisheng (the "**Lisheng Shares**") are listed on the Shenzhen Stock Exchange, which the Directors consider to be a well-established and liquid stock exchange supported by active trading, the closing price of Lisheng Shares as at the Last Trading Day is considered to be a fair reference of its market value. On this basis, further analysis and information of the trading price and volume of the Lisheng Shares is set out in this letter below.

6.2 Lisheng Shares

(a) Review of trading of Lisheng shares

We have reviewed and analysed the closing prices of the Lisheng Shares over the 12 months period prior to the Last Trading Day commencing on 1 July 2014 up to and including the Last Trading Day (the "**Review Period**") below:

Chart 6.2: Daily closing price of Lisheng Shares during the Review Period



As set out in the Chart 6.2, the closing price of Lisheng Shares from 1 July 2014 to 31 July 2014 was in the range of RMB28.77 to RMB30.70 per Lisheng Share. From August 2014 to February 2015, the closing price was between the range of RMB30.00 to RMB36.00 per Lisheng Share save for one trading day where the closing price exceeded RMB36.00 per Lisheng Share. Subsequently from March 2015 to May 2015, the closing price of the Lisheng Share began to show an upward trend and increased from RMB34.50 per Lisheng Share on 1 March 2015 to RMB48.42 per Lisheng Share on 29 May 2015. In June 2015, the closing share price reached the highest during the Review Period of RMB58.17 per Lisheng Share on 12 June 2015 before experiencing some volatility subsequently in June and July 2015 and closed at RMB41.10 per Lisheng Share on the Last Trading Day.

For information purposes, the Letter from the Board referred to 31 August 2014 as the valuation reference date for the Consideration, the closing price per Lisheng Share as at last trading day in August 2014 of RMB30.53 is lower than each of the average closing price (i) over the Review Period of approximately RMB36.60 per Lisheng Share; (ii) over the one month period prior to the Last Trading Day of approximately RMB40.95 per Lisheng Share; and (iii) over the three months period prior to the Last Trading Day of approximately RMB45.25 per Lisheng Share.

Shareholders should note that the information set out above is not an indicator of the future performance of the Lisheng Shares and that the price of Lisheng Shares, may increase or decrease from its closing price as at the Last Trading Day.

(b) Historical trading volume and liquidity of the Lisheng Shares

Further to the above analysis, we have also reviewed the trading volume and liquidity of the Lisheng Shares during Review Period, details of which are set out in Table 6.3 below.

Table 6.3: Historical trading volume and daily trading liquidity

Month	**Average daily trading volume (Lisheng Shares)**	**Daily trading liquidity of public float (the "Public Float")** *(Note 1)* **(%)**
2015		
July *(Note 2)*	7,606,343	8.6%
June	6,524,164	7.4%
May	5,137,851	5.8%
April	4,276,902	4.9%
March	3,593,393	4.1%
February	1,411,943	1.6%
January	1,734,608	2.0%
2014		
December	2,449,716	2.8%
November	1,680,830	1.9%
October	2,053,505	2.3%
September	2,009,907	2.3%
August	1,991,729	2.3%
July	1,747,597	2.0%
Average	3,208,272	3.6%

Source: Bloomberg

Notes:

(1) Daily trading liquidity is calculated based on average daily trading volume divided by 88.0 million Lisheng Shares of public float (calculated by the number of free float* (已流通股份) Lisheng Shares of approximately 181.7 million Lisheng Shares less approximately 93.7 million Lisheng Shares held by Thrive Leap, an indirect wholly owned subsidiary of the Tianjin Government as at the Latest Practicable Date)

(2) from 1 July 2015 up to and including the Last Trading Day

As set out in the Table 6.3, during the Review Period, between 1 July 2014 up to the end of February 2015, the average daily trading volume ranged from no less than 1.4 million Lisheng Shares to no more than 2.5 million Lisheng Shares, representing approximately 1.6% and 2.8% of the Public Float[1] of approximately 88.0 million, respectively. Subsequently, from 1 March 2015 up to and including the Last Trading Day, there has been notable increase in the average daily trading volume which ranged from approximately 3.6 million Lisheng Shares in March 2015 to approximately 7.6 million Lisheng Shares in July (up to the Last Trading Day), representing approximately 4.1% and 8.6% of the Public Float respectively.

Based on the Public Float of approximately 88.0 million Lisheng Shares and the average daily trading volume over the Review Period of approximately 3.2 million Lisheng Shares, the average daily trading volume over the Review Period represents approximately 3.6% of the Public Float. Furthermore, we note that the average daily trading volume over the last three months, namely from May 2015 to July 2015 (up to the Last Trading Day), ranged from approximately 5.8% in May 2015 to approximately 8.6% in July 2015 (up to the Last Trading Day) of the Public Float.

On the basis that the Lisheng Shares were generally liquid and supported by an active trading volume, we concur with the Directors that the price of the Lisheng Shares is a fair reference of its market value.

Having considered,

(i) the Lisheng Shares are listed and the Lisheng Share price is quoted on the Shenzhen stock exchange, being one of two recognised stock exchanges in the PRC with an established track record in the facilitation of trading of A Shares since its establishment in 1990;

(ii) the Lisheng Shares have been frequently traded on the Shenzhen Stock Exchange during the Review Period as evidenced by the average daily trading volume of the Lisheng Shares representing approximately 3.6% of the Public Float during the Review Period; and

(iii) there has been trading activities in Lisheng Shares on every trading day throughout the Review Period with no exception,

there is an active and readily available market for the Lisheng Shares as supported by the abovementioned observations. On this basis, the price of Lisheng Shares, which is determined by willing sellers and buyers with reference to the price of Lisheng Share quoted on the Shenzhen Stock Exchange, is considered to be a fair reference of its market value.

[1] The Public Float of 88.0 million Lisheng Shares is calculated by the number of free float* (已流通股份) Lisheng Shares of approximately 181.7 million Lisheng Shares less approximately 93.7 million Lisheng Shares held by Thrive Leap, an indirect wholly owned subsidiary of the Tianjin Government as at the Latest Practicable Date

6.3 Sum of its parts analysis

In this connection, we have set out the sum of its parts analysis, based on (i) the closing price of Lisheng Shares as at the Last Trading Day, one month and three months average closing price up to the Last Trading Day; and (ii) the net asset value attributable to 65.0% of Yiyao Printing and 100% of Research Institute as their respective securities are not listed or traded on any recognised stock exchange. The sum of its parts analysis is for illustrative purpose only and does not imply a break-up of the Thrive Leap Group. For avoidance of doubt, the sum of its parts analysis is prepared for the sole purpose of assessing the fair and reasonableness of the Consideration and is not an indication of the actual market valuation of the Thrive Leap Group. Despite this, we consider the sum of its parts analysis can serve as a useful secondary check to supplement our analysis set out under paragraph headed "6.1 Thrive Leap Group — Earnings multiple based on Profit Guarantees and Price-to-book ratio (the "**P/B ratio**") comparison" above. Details of the sum of its parts analysis are set out below:

Table 6.4: Sum of its parts analysis

Description	*RMB million (approximate)*	*RMB million (approximate)*
Value of 51.36% of equity interest of Lisheng (i.e. 93,710,608 Lisheng Shares) (i) as at the Last Trading Day of approximately RMB3,851.5 million; (ii) based on one month average closing price of approximately RMB3,837.4 million; and (iii) based on three months average closing price of approximately RMB4,240.1 million (A) *Source: Bloomberg*	RMB3,837.4–RMB4,240.1 *(equivalent to HK$4,857.4 to HK$5,367.2)*	
Unaudited net asset value attributable to 65% equity interest of Yiyao Printing as at 31 December 2014 as calculated based on information set out in the Letter from the Board (B) *(Note)*	RMB105.0 *(equivalent to HK$132.9)*	
Unaudited net asset value attributable to 100% equity interest of Research Institute as at 31 December 2014 based on the Letter from the Board (C) *(Note)*	RMB538.5 *(equivalent to HK$681.7)*	
Total value attributable to the Thrive Leap Group (A + B + C)	RMB4,480.9–RMB4,883.6	
Sale Shares represents 67% of the Thrive Leap Group		**RMB3,002.2–RMB3,272.0**
Consideration		**RMB2,315.9**

Note:

For the sole purpose of the sum of its parts analysis, we have based the value of equity interest of Yiyao Printing and Research Institute under the Acquisition (the "**Unlisted Equity Interest**") on the respective unaudited net asset value of Yiyao Printing and Research Institute as at 31 December 2014 for the following reasons, including (i) the cost approach is one of three generally accepted approaches to valuation as set out in the valuation report in Appendix VI; (ii) as set out in the valuation report in Appendix VI, the income approach may have limitation in this case since it will be subject to the estimation risks under a rapidly changing business environment of which the management of Yiyao Printing and Research Institute considered a reliable projection on the business cannot be properly prepared and ascertained; and (iii) there is no directly observable unlisted market price for the Unlisted Equity Interest.

Source: Bloomberg and the Letter from the Board

As set out in the Table 6.3 above, the Consideration represents a discount of approximately 22.9% to 29.2% to the value of the Sale Shares based on the sum of its parts analysis above.

6.4 Profit Guarantees

Pursuant to the Agreement, Tsinlien and Tianjin Pharmaceutical undertake to Century Promise to compensate any shortfall under the Profit Guarantees in cash, 67% of which will be attributable to Century Promise. As part of our analysis, we note the following profit guarantee arrangements as part of acquisition undertaken by various main board listed companies in Hong Kong with similar compensation mechanisms, of which the relevant announcement was dated during the period commenced on 1 July 2013 up to and including the Last Trading Day, (i) under an acquisition entered into by Sunway International Holdings Limited ("**Sunway**") (stock code: 58) in January 2014[1], the vendor provided a profit guarantee of three financial years and that in the event the consolidated after-tax net profit of the target group being less than the profit guarantee, such shortfall shall be compensated by the purchaser deducting the same amount from the pledged convertible notes; (ii) under an acquisition entered into by Imperial Pacific International Holdings Limited (formerly known as First Natural Foods Holdings Limited) ("**First Natural**") (stock code: 1076) in November 2013[2], the vendor provided a profit guarantee over a period of sixteen years and that if the actual profit stream received by First Natural in a relevant guaranteed period plus the surplus amount of the actual profit stream of all previous guaranteed periods over and above the applicable guaranteed profit share, is less than the amount of relevant guaranteed profit, the vendor shall pay to First Natural the difference between such actual profit stream and the guaranteed profit; and (iii) under an acquisition entered into by Neptune Group Limited ("**Neptune Group**") (stock code: 70) in October 2013[3], the vendor provided a profit guarantee up to the second anniversary of the date of completion of the acquisition, whereby any shortfall from the guarantee profit for the relevant period shall be payable to the purchaser.

[1] Source: the relevant announcement of Sunway dated 30 January 2014
[2] Source: the relevant announcement of First Natural dated 27 November 2013
[3] Source: the relevant announcement of Neptune Group dated 21 October 2013

Conclusion

Having considered (i) the future prospects of the pharmaceutical industry in the PRC; (ii) the reasons for and the benefits of the Acquisition; (iii) the historical trading volume, liquidity and daily closing price of Lisheng Shares during the Review Period, in particular, the closing price of Lisheng Shares as at the Last Trading Day, the one month and three months average closing price of Lisheng Shares up to the Last Trading Day; and (iv) the Consideration represents a discount to the value of the Sale Shares based on the sum of its parts analysis, we concur with the Directors that the Consideration is fair and reasonable.

7. Possible financial effects of the Acquisition

Earnings

Upon Completion, Thrive Leap will become a wholly-owned subsidiary of the Company, and the financial results of the Thrive Leap Group will be consolidated into the consolidated financial statements of the Group after Completion.

The profit for the year attributable to owners of the Jinhao group (excluding non-controlling interests) was approximately RMB42.4 million for the year ended 31 December 2014.

Net asset value

On the basis that Thrive Leap becomes a wholly-owned subsidiary of the Company upon Completion, all assets and liabilities of the Thrive Leap Group will be consolidated into that of the Group.

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to the Circular, which illustrates the effect of the Acquisition on the Group's financial position as at 31 December 2014 as if the Completion had taken place on 31 December 2014, (i) the net asset value of the Enlarged Group will increase from approximately HK$12.3 billion to approximately HK$14.0 billion; and (ii) the net asset value of the Enlarged Group attributable to owners of the Company will decrease from approximately HK$11.4 billion to approximately HK$10.3 billion. The decrease in the net asset value of the Enlarged Group attributable to owners of the Company is mainly attributable to the elimination of the share capital of Thrive Leap and adjustment to reserves using the principle of merger accounting which amount to approximately HK$3.8 billion in aggregate, as both the Company and Thrive Leap are ultimately controlled by Tsinlien.

Shareholders should note that the actual impact on the net asset value of the Enlarged Group will be subject to change of the carrying values of assets and liabilities of the Thrive Leap Group as of the date on which Completion shall take place.

Cashflow

As the Consideration will be settled in cash, without taking into account the potential cashflow effects arising from the Profit Guarantees and the consolidation of the assets and liabilities of the Thrive Leap Group, the cash and cash equivalent balance of the Group will be reduced by the Consideration and any related transaction costs according to the respective payment schedules.

Shareholders should note that the actual financial effects as a result of the Acquisition to be recorded by the Group is subject to audit and will depend on, among others, the net asset value of the Thrive Leap Group as at the date of Completion.

IV. RECOMMENDATION

Having considered the factors and analysis above, in particular,

(i) the Acquisition is consistent with the strategy of the Group to enhance its business portfolio;

(ii) the reasons for and benefits of entering into the Agreement as set out in this letter;

(iii) the Profit Guarantees arrangement under the Agreement; and

(iv) the analysis on the Consideration including the outcome of the sum of its parts analysis;

we consider the Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Lewis Lai
Director
Corporate Finance

Mr. Lewis Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Investec Capital Asia Limited. He has over eight years of experience in the corporate finance industry.

* *For identification purposes only*

FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tianjindev.com).

- annual report of the Company for the year ended 31 December 2014 (pages 45–137);
- annual report of the Company for the year ended 31 December 2013 (pages 43–143); and
- annual report of the Company for the year ended 31 December 2012 (pages 45–127).

STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2015, being the latest practicable date for ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	HK$'000
Bank borrowings — secured	60,963
Bank borrowings — unsecured	2,965,198
Finance lease obligations	26,875
Amounts due to related parties	374,553
	3,427,589

As at the close of business on 30 June 2015, bank borrowings of HK$10,266,000 were guaranteed. In addition, some of bank borrowings and finance lease payables of the Enlarged Group were secured by the pledge of certain assets and bank deposits of the Enlarged Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intragroup liabilities, at the close of business on 30 June 2015, the Enlarged Group did not have any loan capital issued and outstanding, agreed to be issued, or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

Taking into account the existing cash and bank balances, the present internal resources and available banking facilities of the Enlarged Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group adheres to enhancing its business portfolio by actively participating in the restructuring of state-owned assets in Tianjin. The Group's strategic objective is to developing core business with a view to enhancing the Group's business structure.

Looking ahead to 2015, the global economic environment is expected to be stable. The American economy has shown signs of recovery while the Eurozone economies will face downside risk and financial instability associated with the uncertainties in Greece, which may adversely affect the global economy. The Chinese economy in 2015 is going to step into a new phase of development. With the implementation of a series of supportive economic policies, it is expected that the Chinese economy will continue to maintain a steady growth.

The Group is committed to optimize its business restructuring and seize opportunities to pursue new business which shall align with the Group's long-term strategic objective. As Thrive Leap Group is principally engaged in the pharmaceutical business in the PRC and has the capabilities from pharmaceutical research and development to manufacturing of pharmaceutical products, the Acquisition will provide the Group with the platform to capture the market potential of pharmaceutical industry in the PRC.

Going forward, Thrive Leap Group will continue to expand its market penetration in the PRC through its solid business foundation and extensive research and development and manufacturing capabilities. Given the huge market potential of the PRC pharmaceutical industry, the Board believes that the Acquisition will enable the Group to achieve economic benefits and create shareholders' value.

The following is the text of a report received from Deloitte Touche Tohmatsu, an independent reporting accountant, prepared for the purpose of incorporation in this circular.

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德勤

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21 August 2015

The Directors
Tianjin Development Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding Thrive Leap Limited ("Thrive Leap") and its subsidiaries (collectively referred to as "Thrive Leap Group") for each of the three years ended 31 December 2014 and the three months ended 31 March 2015 (the "Relevant Period") (the "Financial Information of Thrive Leap Group") for inclusion in a circular issued by Tianjin Development Holdings Limited ("the Company") dated 21 August 2015 in connection with the Company's proposed acquisition of 67% of the issued share capital of Thrive Leap (the "Acquisition") (the "Circular").

The Acquisition constitutes a major and connected transaction of the Company under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Thrive Leap was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 20 June 2011.

Details of the subsidiaries and associates held by Thrive Leap during the Relevant Period and as at the date of this report are as follows:

Company name	Place and date of incorporation/ establishment	Registered capital/ issued and paid up capital	Attributable equity interest/ voting right held by Thrive Leap Group					Principal activities	Form of company
			At 31 December 2012	2013	2014	At 31 March 2015	At date of report		
			%	%	%	%	%		
Subsidiaries									
Directly held									
Best Season Holdings Limited ("Best Season") 瑞益控股有限公司	Hong Kong 24 June 2011	HK$10,000	100	100	100	100	100	Investment holding	Limited liability
Indirectly held									
TianJin Jinhao Pharmaceutical Co., Ltd. 天津金浩醫藥有限公司 ("Jinhao") *(note 1)*	The People's Republic of China ("PRC") 2 August 2011	RMB1,000,000	—	—	100	100	100	Investment holding	Limited liability

Company name	Place and date of incorporation/ establishment	Registered capital/ issued and paid up capital	Attributable equity interest/ voting right held by Thrive Leap Group At 31 December 2012	2013	2014	At 31 March 2015	At date of report	Principal activities	Form of company
			%	%	%	%	%		
Tianjin Lisheng Pharmaceutical Co., Ltd. 天津力生製藥股份有限公司 ("Lisheng") *(note 1)*	The PRC 17 June 1981	RMB182,454,992	—	—	51.36	51.36	51.36	Investment holding and manufacture and sale of chemical drugs	Limited liability
Tianjin Yiyao Printing Co., Ltd. 天津宜藥印務有限公司 ("Yiyao Printing") *(note 1)*	The PRC 1 March 1993	RMB39,450,000	—	—	65	65	65	Investment holding and design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials	Limited liability
Tianjin Institute of Pharmaceutical Research Co., Ltd. 天津藥物研究院有限公司 ("Research Institute") *(notes 1 & 2)*	The PRC 17 April 2002	RMB38,991,486	—	—	100	100	100	Investment holding and research and development of new medicine technology and new products	Limited liability
天津力生吉田醫藥包裝有限公司	The PRC 18 October 2001	RMB500,000	—	—	46.22	46.22	46.22	Sale of pharmaceutical packaging products	Limited liability
天津市新冠製藥有限公司	The PRC 29 November 2007	RMB48,000,000	—	—	51.36	51.36	51.36	Manufacture and sale of chemical drugs	Limited liability
天津生物化學製藥有限公司	The PRC 19 September 1980	RMB110,822,800	—	—	51.36	51.36	51.36	Manufacture and sale of chemical drugs	Limited liability
Tianjin Central Pharmaceutical Co., Ltd. 天津市中央藥業有限公司 ("Central Pharmaceutical") *(note 1)*	The PRC 19 December 1996	RMB82,350,000	—	—	51.36	51.36	51.36	Manufacture and sale of chemical drugs	Limited liability
天津藥物研究院藥業有限公司	The PRC 18 August 1994	RMB50,000,000	—	—	100	100	100	Research and development of new medicine technology and new products	Limited liability
天津泰普滬亞醫藥智慧財產權流轉儲備中心有限公司 (Formerly known as 天津泰普醫藥智慧財產權流轉儲備中心有限公司)	The PRC 24 March 2011	RMB5,000,000	—	—	51	51	51	Research and development of new medicine technology and new products	Sino-foreign equity joint venture
天津泰普醫藥行業生產力促進中心有限公司	The PRC 24 March 2011	RMB1,000,000	—	—	100	100	100	Research and development of new medicine technology and new products	Limited liability
天津泰聯環球生物技術有限公司	The PRC 7 September 2009	RMB500,000	—	—	51	51	51	Research and development of new medicine technology and new products	Sino-foreign equity joint venture
天津中草藥雜誌社有限公司	The PRC 8 July 2009	RMB400,000	—	—	100	100	100	Provision of press issuing and advertising services	Limited liability
天津康鴻醫藥科技發展有限公司	The PRC 4 September 2003	RMB5,000,000	—	—	100	100	100	Research and development of new medicine technology and new products	Limited liability
天津藥物研究院新藥評價有限公司	The PRC 20 July 2005	RMB1,000,000	—	—	100	100	100	Research and development of new medicine technology and new products	Limited liability

Company name	Place and date of incorporation/ establishment	Registered capital/ issued and paid up capital	Attributable equity interest/ voting right held by Thrive Leap Group					Principal activities	Form of company
			At 31 December			At 31 March	At date of report		
			2012	2013	2014	2015			
			%	%	%	%	%		
天津泰普大藥房有限公司	The PRC 4 June 1997	RMB195,000	—	—	100	100	100	Sale of pharmaceutical products	Limited liability
天津泰普藥品科技發展有限公司	The PRC 21 November 2002	RMB10,000,000	—	—	56.55	56.55	56.55	Research and development of new medicine technology and new products	Limited liability
天津市亨必達化學合成物有限公司	The PRC 18 August 1994	RMB5,000,000	—	—	80	80	80	Sale of chemical drugs	Limited liability
海南立歐藥業有限公司	The PRC 23 May 2007	RMB5,000,000	—	—	100	100	100	Sale of chemical drugs	Limited liability
天津泰普製藥有限公司	The PRC 16 December 2010	RMB60,000,000	—	—	56.55	56.55	56.55	Research and development of new medicine technology and new products	Limited liability
天津藝軒林廣告製作有限公司	The PRC 10 November 1988	RMB540,000	—	—	65	65	65	Provision of advertising services	Limited liability
Associates									
天津田邊製藥有限公司 ("天津田邊製藥")	The PRC 15 October 1993	RMB110,533,424	—	—	12.66	12.66	12.66	Manufacture and sale of chemical drugs	Sino-foreign equity joint venture
天津世紀天龍藥業有限公司 ("天津世紀天龍")	The PRC 19 May 2009	RMB90,670,000	—	—	18.75	18.75	18.75	Manufacture and sale of chemical drugs	Limited liability
廣州市力鑫醫藥有限公司 ("廣州市力鑫醫藥")	The PRC 8 January 2003	RMB200,000,000	—	—	25	25	25	Research and development of new medicine technology and new products	Limited liability
天津新內田製藥有限公司	The PRC 13 June 1995	RMB50,527,833	—	—	15.41	15.41	15.41	Manufacture and sale of pharmaceutical products	Sino-foreign equity joint venture
天津市醫藥集團技術發展有限公司	The PRC 21 May 1998	RMB15,000,000	—	—	33	33	33	Distribution of chemical drugs	Limited liability

notes:

1. All English translated names are for identification only.

2. The name of Research Institute was changed to 天津藥物研究院有限公司 in 2014. It was previously known as 天津藥物研究院, an enterprise owned by the Whole People (全民所有制企業).

No audited statutory financial statements have been prepared for Thrive Leap since its date of incorporation as there was no statutory audit requirement under the jurisdiction of its place of incorporation.

The statutory financial statements of Best Season for the three years ended 31 December 2012, 2013 and 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by us.

No statutory financial statements have been prepared for 天津藝軒林廣告製作有限公司 for the year ended 31 December 2014, as there was no statutory audit requirement for the financial year.

The statutory financial statements of Thrive Leap's subsidiaries established in the PRC (for the purpose of this report, the PRC excludes Hong Kong) for the relevant financial years during the Relevant Period were prepared in accordance with relevant accounting policies and financial regulations applicable to entities established in the PRC ("PRC GAAP") and were audited by the following certified public accountants registered in the PRC.

Details of these audited financial statements are as follows:

Company name	Financial period	Name of auditors
Jinhao	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
Lisheng	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
Yiyao Printing	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
Research Institute	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津力生吉田醫藥包裝有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津市新冠製藥有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津生物化學制藥有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
Central Pharmaceutical	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津藥物研究院藥業有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津泰普滬亞醫藥智慧財產權流轉儲備中心有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津泰普醫藥行業生產力促進中心有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津泰聯環球生物技術有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津中草藥雜誌社有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津康鴻醫藥科技發展有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津藥物研究院新藥評價有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP

Company name	Financial period	Name of auditors
天津泰普大藥房有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津泰普藥品科技發展有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津市亨必達化學合成物有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
海南立歐藥業有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津泰普製藥有限公司	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP

For the purpose of this report, the directors of Thrive Leap have prepared the consolidated financial statements of Thrive Leap Group for the Relevant Period in accordance with the accounting policies which conform to HKFRSs (which include all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA (the "Underlying Financial Statements"). We have performed an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The Financial Information of Thrive Leap Group set out in this report has been prepared from the Underlying Financial Standards on the basis set out in Note 2 of the Financial Information of Thrive Leap Group. No adjustments have been made to the Underlying Financial Statements for the preparation of our report for inclusion in the Circular.

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

In our opinion, the Financial Information of Thrive Leap Group together with notes thereto gives, for the purpose of this report, a true and fair view of the financial position of Thrive Leap Group as at 31 December 2012, 2013 and 2014 and 31 March 2015 and of the consolidated financial performance and cash flows of Thrive Leap Group for the Relevant Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of Thrive Leap Group for the three months ended 31 March 2014 together with the notes thereto have been extracted from Thrive Leap Group's unaudited consolidated financial information for the same period (the "March 2014 Financial Information of Thrive Leap Group") which was prepared by the directors of Thrive Leap solely for the purpose of this report. We have conducted our review on the March 2014 Financial Information of Thrive Leap Group in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the March 2014 Financial Information of Thrive Leap Group consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the March 2014 Financial Information of Thrive Leap Group. Based on our review, nothing has come to our attention that causes us to believe that the March 2014 Financial Information of Thrive Leap Group is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information of Thrive Leap Group which conform with HKFRSs.

A. FINANCIAL INFORMATION OF THRIVE LEAP GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	5	—	—	1,490,843	470,609	419,444
Cost of sales		—	—	(637,419)	(184,913)	(187,455)
Gross profit		—	—	853,424	285,696	231,989
Other income	6	—	—	55,488	11,602	19,227
Other (losses) gains, net	7	—	—	(4,750)	(211)	195
Selling and distribution expenses		—	—	(322,485)	(112,497)	(77,227)
General and administrative expenses		(15)	(57)	(305,193)	(68,417)	(63,087)
Research and development expenses		—	—	(118,401)	(27,865)	(27,619)
Finance costs	8	—	—	(10,104)	(2,489)	(1,600)
Share of results of associates	16	—	—	2,444	(1,335)	120
(Loss) profit before tax		(15)	(57)	150,423	84,484	81,998
Tax expense	9	—	—	(36,082)	(20,795)	(13,289)
(Loss) profit for the year/ period	10	(15)	(57)	114,341	63,689	68,709
Other comprehensive (expense) income						
Items that will not be reclassified subsequently to profit or loss:						
Currency translation differences		—	—	(33)	(23,301)	11,899
Remeasurement of defined benefit obligations	24	—	—	(63)	—	—
Items that may be reclassified subsequently to profit or loss:						
Change in fair value of available-for-sale financial assets	17	—	—	8,088	(242)	9,303
Deferred taxation on fair value change of available-for-sale financial assets	18	—	—	(1,213)	36	(1,395)
Other comprehensive income (expense) for the year/ period		—	—	6,779	(23,507)	19,807
Total comprehensive (expense) income for the year/period		(15)	(57)	121,120	40,182	88,516

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit for the year/ period attributable to:					
Owners of Thrive Leap	(15)	(57)	42,334	22,722	31,937
Non-controlling interests	—	—	72,007	40,967	36,772
	(15)	(57)	114,341	63,689	68,709
Total comprehensive (expense) income for the year/period attributable to:					
Owners of Thrive Leap	(15)	(57)	46,682	9,396	43,862
Non-controlling interests	—	—	74,438	30,786	44,654
	(15)	(57)	121,120	40,182	88,516

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	13	—	—	2,172,472	2,247,902
Land use rights	14	—	—	274,562	273,618
Intangible assets	15	—	—	18,059	17,956
Deposits paid for acquisition of property, plant and equipment		—	—	128,239	110,305
Interests in associates	16	—	—	141,775	142,256
Available-for-sale financial assets	17	—	—	248,902	258,872
Deferred tax assets	18	—	—	14,543	15,242
		—	—	2,998,552	3,066,151
Current assets					
Inventories	19	—	—	374,108	350,942
Amount due from immediate holding company		78	78	78	78
Trade receivables	20	—	—	132,087	170,731
Notes receivables	20	—	—	229,295	274,498
Other receivables, deposits and prepayments	20	—	—	66,391	76,517
Entrusted deposits	21	—	—	25,316	36,802
Restricted bank balances	22	—	—	—	6,345
Time deposits with maturity over three months	22	—	—	1,016,848	982,919
Cash and cash equivalents	22	—	—	826,713	798,885
		78	78	2,670,836	2,697,717
Total assets		78	78	5,669,388	5,763,868
EQUITY					
Owners of Thrive Leap					
Share capital	23	78	78	78	78
Reserves		(15)	(72)	2,621,024	2,664,886
		63	6	2,621,102	2,664,964
Non-controlling interests		—	—	1,955,282	1,999,936
Total equity		63	6	4,576,384	4,664,900

		As at 31 December			As at 31 March
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Defined benefit obligations	24	—	—	33,848	33,934
Deferred income	25	—	—	126,819	111,707
Bank borrowings	26	—	—	115,425	95,598
Deferred tax liabilities	18	—	—	4,008	5,419
		—	—	280,100	246,658
Current liabilities					
Trade payables	27	—	—	59,214	70,272
Notes payables	27	—	—	—	17,446
Other payables and accruals	27	15	72	318,659	317,404
Amount due to Tianjin Pharmaceutical	28	—	—	241,100	243,170
Bank borrowings	26	—	—	125,443	129,979
Current tax liabilities		—	—	68,488	74,039
		15	72	812,904	852,310
Total liabilities		15	72	1,093,004	1,098,968
Total equity and liabilities		78	78	5,669,388	5,763,868
Net current assets		63	6	1,857,932	1,845,407
Total assets less current liabilities		63	6	4,856,484	4,911,558

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Owners of Thrive Leap								
	Share capital HK$'000	Capital reserve HK$'000 (note a)	Translation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Other reserves HK$'000 (note b)	(Accumulated losses) retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	78	—	—	—	—	—	78	—	78
Loss and total comprehensive expense for the year	—	—	—	—	—	(15)	(15)	—	(15)
At 31 December 2012	78	—	—	—	—	(15)	63	—	63
Loss and total comprehensive expense for the year	—	—	—	—	—	(57)	(57)	—	(57)
At 31 December 2013	78	—	—	—	—	(72)	6	—	6
At 1 January 2014, as originally stated	78	—	—	—	—	(72)	6	—	6
Effect of application of merger accounting *(Note 2)*	—	209,852	48,419	15,110	1,289,506	1,080,797	2,643,684	1,945,473	4,589,157
At 1 January 2014, as restated	78	209,852	48,419	15,110	1,289,506	1,080,725	2,643,690	1,945,473	4,589,163
Profit for the year	—	—	—	—	—	42,334	42,334	72,007	114,341
Other comprehensive (expense) income for the year	—	—	(58)	4,469	(63)	—	4,348	2,431	6,779
Total comprehensive (expense) income for the year	—	—	(58)	4,469	(63)	42,334	46,682	74,438	121,120
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	1,551	1,551
Dividends	—	—	—	—	—	(70,968)	(70,968)	(67,788)	(138,756)
Transfers	—	—	—	—	1,698	—	1,698	1,608	3,306
At 31 December 2014	78	209,852	48,361	19,579	1,291,141	1,052,091	2,621,102	1,955,282	4,576,384
Profit for the period	—	—	—	—	—	31,937	31,937	36,772	68,709
Other comprehensive income for the period	—	—	6,785	5,140	—	—	11,925	7,882	19,807
Total comprehensive income for the period	—	—	6,785	5,140	—	31,937	43,862	44,654	88,516
At 31 March 2015	78	209,852	55,146	24,719	1,291,141	1,084,028	2,664,964	1,999,936	4,664,900

	Owners of Thrive Leap								
	Share capital HK$'000	Capital reserve HK$'000 (note a)	Translation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Other reserves HK$'000 (note b)	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014, as restated (audited)	78	209,852	48,419	15,110	1,289,506	1,080,725	2,643,690	1,945,473	4,589,163
Profit for the period	—	—	—	—	—	22,722	22,722	40,967	63,689
Other comprehensive expense for the period	—	—	(13,192)	(134)	—	—	(13,326)	(10,181)	(23,507)
Total comprehensive (expense) income for the period	—	—	(13,192)	(134)	—	22,722	9,396	30,786	40,182
At 31 March 2014 (unaudited)	78	209,852	35,227	14,976	1,289,506	1,103,447	2,653,086	1,976,259	4,629,345

notes:

(a) Capital reserve mainly comprises (i) assets injected into Thrive Leap by owners of Thrive Leap and are accounted for as capital contributions to Thrive Leap; (ii) assets transferred to owners of Thrive Leap and accounted for as distributions by Thrive Leap; and (iii) amount arising from common control combination, representing the excess of consideration paid for the acquisition over the capital of entities acquired under common control. As Thrive Leap is a state-owned enterprise, the capital reserve can be transferred to contributed capital upon the approval from the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") or reduced upon distribution of any sums to the SASAC.

(b) Other reserves mainly include statutory and other reserves, which are reserves required by the relevant PRC laws applicable to Thrive Leap Group's subsidiaries established in the PRC and cannot be used for distribution in the form of cash dividends, which amounted to HK$224,237,000 as at 31 December 2014 and 31 March 2015.

Other reserves also include differences between (i) the acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries; and (ii) the proceeds received and the adjustment to non-controlling interests in respect of partial disposal of subsidiaries, which amounted to HK$1,066,967,000 as at 31 December 2014 and 31 March 2015.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December	Three months ended 31 March	
		2014	2014	2015
	Note	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities				
Cash generated from (used in) operations	31	280,099	(26,270)	43,681
Interest paid		(22,007)	(8,110)	(15,339)
PRC income tax paid		(41,603)	(22,766)	(8,646)
Net cash from (used in) operating activities		216,489	(57,146)	19,696
Investing activities				
Purchase of property, plant and equipment		(567,666)	(100,633)	(67,771)
Purchase of land use rights		(76,001)	(9,967)	—
Addition of entrusted deposits		(25,252)	—	(11,378)
Contribution to an associate		(16,835)	—	—
Decrease in time deposits with maturity over three months		345,199	512,836	36,371
Proceeds from disposal of property, plant and equipment		45,441	9,997	10,536
Proceeds from redemption of entrusted deposits		44,192	12,691	—
Interest received		34,892	8,670	3,395
Dividends received from available-for-sale financial assets		2,070	—	—
Addition of restricted bank balances		—	—	(6,345)
Net cash (used in) from investing activities		(213,960)	433,594	(35,192)
Financing activities				
Repayment of bank borrowings		(178,997)	(14,194)	(61,607)
Dividend paid		(138,756)	—	—
Advance from related parties		191,369	9,726	1,452
Drawdown of bank borrowings		122,222	6,590	45,765
Net cash (used in) from financing activities		(4,162)	2,122	(14,390)
Net (decrease) increase in cash and cash equivalents		(1,633)	378,570	(29,886)
Cash and cash equivalents at beginning of the year/period, as originally stated		—	—	826,713
Effect of application of merger accounting		828,465	828,465	—
Cash and cash equivalents at beginning of the year/period, as restated		828,465	828,465	826,713
Effect of foreign exchange rate changes		(119)	(6,751)	2,058
Cash and cash equivalents at end of the year/period		826,713	1,200,284	798,885

NOTES TO THE FINANCIAL INFORMATION OF THRIVE LEAP GROUP

1. GENERAL INFORMATION

Thrive Leap was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 20 June 2011. Its immediate holding company is Golden Tripod Holdings Limited, a company incorporated in the BVI. Its intermediate holding companies include Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical") and Tsinlien Group Company Limited ("TGCL") and subsequent to January 2014, its ultimate holding company is Tianjin Tsinlien Investment Holding Co., Ltd. (天津津聯投資控股有限公司) ("Tianjin Tsinlien"), Tianjin Pharmaceutical and Tianjin Tsinlien are state-owned enterprises established in the PRC and ultimately wholly owned by Tianjin Municipal People's Government of the PRC.

Thrive Leap is an investment holding company and Thrive Leap Group is principally engaged in the business of pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials.

The registered office of Thrive Leap is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, the Cayman Islands.

No consolidated statement of cash flows has been prepared for the years ended 31 December 2012 and 2013 as Thrive Leap Group did not have any cash transactions in those two years.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Application of merger accounting

Thrive Leap Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Tianjin Pharmaceutical became the intermediate holding company of Thrive Leap in January 2014 after it acquired control of TGCL (whose subsidiaries include Thrive Leap). In February 2014, Tianjin Pharmaceutical transferred its entire equity interest in Jinhao to Best Season at nil consideration. In applying AG 5, Thrive Leap Group's consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows have incorporated the results, changes in equity and cash flows of Jinhao and its subsidiaries (collectively referred to as the "Jinhao Group") since 1 January 2014, which is considered as the date the combining entities (being Thrive Leap and its subsidiaries Best Season and Jinhao Group) first came under the control of the controlling party (being Tianjin Pharmaceutical and its holding company) by the directors of Thrive Leap. Likewise, the assets and liabilities of Jinhao Group are consolidated into the consolidated statements of financial position of Thrive Leap Group with effect from 1 January 2014 based on their carrying amounts as at 1 January 2014 recorded in the books of Tianjin Pharmaceutical, and to reflect the corresponding adjustments to Thrive Leap Group's reserves as if they were within Thrive Leap Group on that date.

The effects of the inclusion of Jinhao Group using merger accounting on the consolidated statement of financial position as at 1 January 2014 are summarised below:

	Thrive Leap Group excluding Jinhao Group	Effect of application of merger accounting	Thrive Leap Group including Jinhao Group
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	—	1,748,993	1,748,993
Land use rights	—	191,457	191,457
Intangible assets	—	19,072	19,072
Deposits paid for acquisition of property, plant and equipment	—	87,704	87,704
Deposit paid for acquisition of a land use right	—	11,392	11,392
Interests in associates	—	122,447	122,447
Deferred tax assets	—	12,369	12,369
Available-for-sale financial assets	—	240,794	240,794
	—	2,434,228	2,434,228
Current assets			
Inventories	—	354,937	354,937
Amount due from immediate holding company	78	—	78
Trade receivables	—	125,781	125,781
Notes receivables	—	291,946	291,946
Other receivables, deposits and prepayments	—	80,516	80,516
Entrusted deposits	—	44,304	44,304
Time deposits with maturity over three months	—	1,362,921	1,362,921
Cash and cash equivalents	—	828,465	828,465
	78	3,088,870	3,088,948
Total assets	78	5,523,098	5,523,176
LIABILITIES			
Non-current liabilities			
Defined benefit obligations	—	34,937	34,937
Deferred income	—	125,597	125,597
Bank borrowings	—	154,412	154,412
Deferred tax liabilities	—	2,792	2,792
	—	317,738	317,738
Current liabilities			
Trade payables	—	54,934	54,934
Other payables and accruals	72	296,800	296,872
Amounts due to Tianjin Pharmaceutical	—	49,247	49,247
Bank borrowings	—	143,374	143,374
Current tax liabilities	—	71,848	71,848
	72	616,203	616,275
Total liabilities	72	933,941	934,013

The effects of the inclusion of Jinhao Group using merger accounting on Thrive Leap Group's equity on 1 January 2014 are analysed below:

	Thrive Leap Group excluding Jinhao Group *HK$'000*	Effect of application of merger accounting *HK$'000*	Thrive Leap Group including Jinhao Group *HK$'000*
Share capital	78	—	78
Capital reserve	—	209,852	209,852
Translation reserves	—	48,419	48,419
Available-for-sale financial assets revaluation reserve	—	15,110	15,110
Other reserves	—	1,289,506	1,289,506
(Accumulated losses) retained earnings	(72)	1,080,797	1,080,725
Non-controlling interests	—	1,945,473	1,945,473
	6	4,589,157	4,589,163

The profit or loss of Thrive Leap and Best Season are insignificant and accordingly, the effects on the profit or loss of Thrive Leap Group for inclusion of Jinhao Group using merger accounting are not presented as they approximate to the consolidated profit or loss of Thrive Leap Group for the year ended 31 December 2014.

Basis of preparation

For the purpose of preparing and presenting the Financial Information of Thrive Leap Group for the Relevant Period, Thrive Leap Group has, throughout the Relevant Period, consistently adopted Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2015.

The Financial Information of Thrive Leap Group has been prepared in accordance with the following accounting policies which conform with the HKFRSs (which include all applicable HKFRSs, HKASs and Interpretations) issued by the HKICPA. In addition, the Financial Information of Thrive Leap Group includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The Financial Information of Thrive Leap Group has been prepared on the historical cost basis, except for available-for-sale financial assets, which are measured at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Thrive Leap Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information of Thrive Leap Group is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

The preparation of the Financial Information of Thrive Leap Group requires the use of certain critical accounting estimates. It also requires management of Thrive Leap Group to exercise the judgment in the process of applying Thrive Leap Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information of Thrive Leap Group, are disclosed in Note 4.

New and revised HKFRSs in issue but not yet effective

Thrive Leap Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exceptions[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are more relevant to Thrive Leap Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Thrive Leap Group has already commenced an assessment of the impact of HKFRS 9 but is not yet in a position to conclude whether it would have a significant impact on its results of operations and financial position.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Thrive Leap Group has already commenced an assessment of the impact of HKFRS 15 but is not yet in a position to conclude whether it would have a significant impact on Thrive Leap Group's result of operations and financial position.

The directors of Thrive Leap anticipate that the application of the other new and revised HKFRSs will have no material impact on the Financial Information of Thrive Leap Group.

Significant accounting policies

The principal accounting policies are set out below.

(a) Group accounting

The Financial Information of Thrive Leap Group incorporates the financial statements of Thrive Leap and entities controlled by Thrive Leap and its subsidiaries made up to 31 December and 31 March, as appropriate.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Thrive Leap Group are eliminated in full on consolidation. Unrealised profits or losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the Financial Information of Thrive Leap Group to ensure consistency with the policies adopted by Thrive Leap Group.

(i) Merger accounting for common control combination

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

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

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

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year/period in which it is incurred.

(ii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Thrive Leap Group, liabilities incurred by Thrive Leap Group to the former owners of the acquiree and the equity interests issued by Thrive Leap Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by Thrive Leap Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

(iii) Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by Thrive Leap Group and control is achieved when Thrive Leap:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Thrive Leap Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Thrive Leap Group obtains control over the subsidiary and ceases when Thrive Leap Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Period are included in the Financial Information of Thrive Leap Group from the date Thrive Leap Group gains control until the date when Thrive Leap Group ceases to control the subsidiary.

When Thrive Leap Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if Thrive Leap Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(iv) Associates

An associate is an entity over which Thrive Leap Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information of Thrive Leap Group using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of Thrive Leap Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise Thrive Leap Group's share of the profit or loss and other comprehensive income of the associate. When Thrive Leap Group's share of losses of an associate exceeds Thrive Leap Group's interest in that associate (which includes any long-term interests that, in substance, form part of Thrive Leap Group's net investment in the associate), Thrive Leap Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that Thrive Leap Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over Thrive Leap Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of Thrive Leap Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to Thrive Leap Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of Thrive Leap Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in Thrive Leap Group's Financial information only to the extent of interests in the associate that are not related to Thrive Leap Group.

(v) Non-controlling interests

Non-controlling interests in subsidiaries are presented separately from Thrive Leap Group's equity therein.

Profit or loss and each item of other comprehensive income are attributed to the owners of Thrive Leap and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Thrive Leap and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Segment reporting

It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers who are responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-makers have been identified as the executive directors of Thrive Leap who make strategic decisions.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of Thrive Leap Group's entities are measured using Renminbi, which is the currency of the primary economic environment in which the entities operate (the "functional currency"). The Financial Information of Thrive Leap is presented in Hong Kong dollar. The functional currency of Thrive Leap is Renminbi.

The directors of Thrive Leap consider that presentation of the Financial Information of Thrive Leap Group in Hong Kong dollar will facilitate analysis of the Financial Information of Thrive Leap Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluated where items are unsecured. Foreign exchange gains and losses resulting from the settlement of such transaction and from the retranslation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of profit or loss and other comprehensive income.

Translation differences on non-monetary available-for-sale financial assets is included in equity.

(iii) 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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss 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
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is disposed of that resulted in loss of control, exchange differences that were recorded in equity are recognised in the consolidated statements of profit or loss as part of the gain or loss on disposal.

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 rates at the end of each reporting period.

(d) Property, plant and equipment

Buildings comprise mainly factories and office premises. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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 Thrive Leap 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 expenses are charged in the profit or loss during the financial period in which they are incurred.

No depreciation is provided for construction in progress until construction is completed and ready for intended use.

The assets' residual values, depreciation method 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

(e) Land use rights

When a lease includes both land and building elements, Thrive Leap Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Thrive Leap Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statements of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(f) Intangible assets

Intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

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

(g) Impairment losses on tangible and intangible assets

At the end of the reporting period, Thrive Leap Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Thrive Leap Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Financial assets

Thrive Leap Group's financial assets fall into the following two categories:

(i) Loans and receivables; and

(ii) Available-for-sale financial assets.

All regular purchases or sales of financial assets are recognised on trade date when Thrive Leap Group commits to purchase or sell the asset.

The classification depends on the purpose for which the financial assets were acquired. Management of Thrive Leap Group determines the classification of Thrive Leap Group's financial assets at initial recognition.

(i) 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 expected or actual maturities greater than twelve months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, loans and receivables (including amount due from immediate holding company, trade receivables, notes receivables, other receivables, entrusted deposits, restricted bank balances, time deposits with maturity over three months and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

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

Interest income or expense is recognised on an effective interest basis for debt instruments.

(ii) 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 other categories. They are included in non-current assets unless management of Thrive Leap Group intends to dispose of the investment within twelve months of the end of the reporting period. They are measured at fair value at the end of each reporting period. Gains and losses arising from changes in the fair value are recognised in equity.

Change in the carrying amount of available-for-sale equity securities relating to dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to consolidated statements of profit or loss and other comprehensive income (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale financial assets are recognised in the consolidated statements of profit or loss and other comprehensive income as part of other income when Thrive Leap Group's right to receive payments is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Thrive Leap Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Thrive Leap Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Thrive Leap Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

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

On derecognition of a financial asset other than in its entirety, Thrive Leap Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(i) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Impairment losses on available-for-sale equity investments carried at fair value previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of production overheads calculated on a weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and selling expenses.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(l) Share capital

Equity instruments issued by Thrive Leap are recorded at the proceeds received, net of direct issue costs.

(m) 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 statements of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Thrive Leap Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(n) Trade payables, notes payables, other payables and amount due to Tianjin Pharmaceutical

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

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

(o) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the territories where Thrive Leap, its subsidiaries and associates, operate and generate taxable income. Management of Thrive Leap Group 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.

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 Financial Information of Thrive Leap Group. However, 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 substantially enacted by the end of the reporting period 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by Thrive Leap Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Thrive Leap Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(p) Retirement scheme obligations

Employees of Thrive Leap Group's subsidiaries in the PRC are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employee. Thrive Leap Group's obligation is to make the required contributions under the scheme. The scheme is a defined contribution plan. All these contributions are based on a certain percentage of the staff's salary and are recognised in profit or loss as incurred.

In addition, Thrive Leap Group provides supplementary pension benefits to certain retired employees, which are considered as defined benefit plans. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorised as follows:

- service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Thrive Leap Group presents the first two components of defined benefit costs in profit or loss as employee benefit expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statements of financial position represents the actual deficit or surplus in Thrive Leap Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when Thrive Leap Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(q) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of Thrive Leap Group's activities. Revenue is shown net of value-added tax, business tax, returns and discounts. Revenue and other income are recognised as follows:

(i) Sales of goods are recognised when goods are delivered and titles have passed to customers.

(ii) Revenue from provision of research and development services are recognised when services are rendered and it is probable that the economic benefits will flow to Thrive Leap Group.

(iii) Revenue from transfer of technical know-how to customers, whereby Thrive Leap Group provides the customers with the right to the technical know-how together with further research and development services subsequently required and associated with the technical know-how. Under such multiple element arrangement, the consideration of each element is determined based on the amounts for each element stated in the customer contracts, which approximate their relative fair values. Revenue in respect of the transfer of technical know-how is recognised when titles have been passed to customers and revenue in respect of the services to be rendered by Thrive Leap Group for the associated research and development services subsequently provided is recognised in accordance with the accounting policy mentioned in (ii) above.

(iv) Interest income is accrued on a time-proportion basis using the effective interest method.

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

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in profit or loss.

(s) 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. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(t) Dividends distribution

Dividends distribution is recognised as a liability in the period in which the dividends are approved by directors/shareholders, as appropriate.

(u) 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 Thrive Leap Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that 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 Financial Information of Thrive Leap Group. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(v) Government grants

Government grants are not recognised until there is reasonable assurance that Thrive Leap Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which Thrive Leap Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Thrive Leap Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(w) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Due to the inherent uncertainties surrounding research and development activities and the fact that intangible assets recognition criteria mentioned above are generally not met, the costs of Thrive Leap Group's research and development activities are recognised in profit or loss in the period when they are incurred. Given the significant amounts of common costs and inseparable efforts by the research staff, there may not be a reliable basis to allocate the costs to individual research and development projects. In such cases, when recognising the revenue from transfer of technical know-how and provision of research and development services by Thrive Leap Group, no corresponding costs are separately recognised as costs of sales or services in the same period as they are either inseparable from the research and development expenses or already recognised in profit or loss in prior periods.

3. FINANCIAL RISK MANAGEMENT AND CAPITAL RISK MANAGEMENT

Financial risk factors

Thrive Leap Group's activities expose them to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit and counterparty risk and liquidity risk. Thrive Leap Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Thrive Leap Group's financial performance by actively managing debt level and cash flow in order to maintain a strong financial position and minimising refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. Thrive Leap Group adheres to a policy of financial prudence and did not use any derivative financial instruments or structured financial products during the Relevant Period.

(a) Market risk

(i) Foreign exchange risk

The principal subsidiaries of Thrive Leap Group operate in the PRC with almost all of their transactions settled in Renminbi and did not have significant exposure to foreign exchange risk during the Relevant Period.

(ii) Price risk

Thrive Leap Group is exposed to equity securities price risk because Thrive Leap Group's investments in listed shares and unlisted equity securities are classified in the consolidated statements of financial position as available-for-sale financial assets specified in Note 17.

To manage its price risk arising from investments in equity instruments, Thrive Leap Group has assigned specific personnel to monitor the price risk. Thrive Leap Group's equity price risk is concentrated on equity securities operating in pharmaceutical industry sector quoted in the Shanghai Stock Exchange. If the prices of the respective equity securities had been 10% higher/lower, other comprehensive income for the year ended 31 December 2014 and the three months ended 31 March 2015 would increase/decrease by HK$2,136,000 and HK$2,842,000, respectively.

(iii) Interest rate risk

Other than the entrusted deposits and bank balances and time deposits specified in Notes 21 and 22, respectively, Thrive Leap Group has no other significant assets bearing interest.

Thrive Leap Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances.

Thrive Leap Group's entrusted deposits and time deposits carry fixed contractual interest rate and therefore expose Thrive Leap Group to fair value interest rate risk. Management of Thrive Leap Group believes that these fixed contractual rates instruments provide Thrive Leap Group with a steady income stream and are consistent with Thrive Leap Group's treasury management policy.

Thrive Leap Group's interest rate risk is arising from bank borrowings (the "Interest Bearing Liabilities") set out in Note 26. Borrowings issued at fixed rates expose Thrive Leap Group to fair value interest rate risk. Thrive Leap Group's policy is to maintain a balanced portfolio of borrowings subject to variable and fixed interest rates. Thrive Leap Group's cash flow interest rate risk is mainly concentrated on the fluctuation on the benchmark lending rate of the People's Bank of China arising from the Renminbi denominated bank balances and borrowings issued at variable rates. Thrive Leap Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing.

If interest rates had been 50 basis points higher/lower for borrowings at variable rates and with all other variables held constant, Thrive Leap Group's profit for the year ended 31 December 2014 and for the three months ended 31 March 2015 would decrease/increase by HK$169,000 and HK$35,000, respectively.

If interest rates had been 50 basis points higher/lower for bank balances and deposits and with all other variables held constant, Thrive Leap Group's profit for the year ended 31 December 2014 and for the three months ended 31 March 2015 would increase/decrease by HK$2,821,000 and HK$791,000, respectively.

Thrive Leap Group did not use any interest rate swaps to hedge its exposure to interest rate risk.

(b) Credit and counterparty risk

Credit and counterparty risk mainly arises from deposits maintained with banks, entrusted deposits placed in a financial institution, as well as credit exposures to related parties, customers (including outstanding trade receivables balance) and other debtors. Overall, the carrying amounts of these balances substantially represent Thrive Leap Group's maximum exposure to credit and counterparty risk as at the end of each reporting period.

A significant portion of Thrive Leap Group's bank deposits and entrusted deposits are placed with or arranged through state-owned banks/entities and other financial institutions in the PRC.

The directors of Thrive Leap consider that no impairment allowance is necessary in respect of bank deposits and entrusted deposits as there has not been a significant change in credit quality of the counterparties and the balances are considered to be fully recoverable.

Thrive Leap Group has policies in place to ensure that provision of services and sale of goods are made to customers with an appropriate credit history and Thrive Leap Group performs periodic credit evaluations of its customers. According to Thrive Leap Group's historical experience, the irrecoverable trade and other receivables do not exceed the recorded allowances and the directors of Thrive Leap are of the opinion that adequate provision for uncollectible accounts receivable has been made in the Financial Information of Thrive Leap Group.

(c) Liquidity risk

Thrive Leap Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash and having funding through an adequate amount of committed credit facilities. Thrive Leap Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management of Thrive Leap Group monitors rolling forecasts of Thrive Leap Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows.

As at 31 December 2014 and 31 March 2015, Thrive Leap Group had bank and cash balances of approximately HK$1,844 million and HK$1,788 million respectively, and bank borrowings of approximately HK$241 million and HK$226 million, respectively.

The table below analyses Thrive Leap Group's financial liabilities that will be settled into relevant time bands based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which include principal and interest. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 3 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012				
Other payables	15	—	—	15

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 3 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013				
Other payables	62	—	—	62

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 3 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014				
Trade payables and other payables	103,776	—	—	103,776
Amount due to Tianjin Pharmaceutical	241,100	—	—	241,100
Bank borrowings	136,958	57,503	67,437	261,898
	481,834	57,503	67,437	606,774

	On demand or less than 1 year	Between 1 and 2 years	Between 3 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015				
Trade payables and other payables	140,797	—	—	140,797
Notes payables	17,446	—	—	17,446
Amount due to Tianjin Pharmaceutical	243,170	—	—	243,170
Bank borrowings	139,402	36,302	67,597	243,301
	540,815	36,302	67,597	644,714

The categories of financial instruments of Thrive Leap Group are as follows:

Categories of financial instruments

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	78	78	2,237,516	2,302,384
Available-for-sale financial assets	—	—	248,902	258,872
	78	78	2,486,418	2,561,256
Financial liabilities				
Amortised cost	15	62	585,744	626,990

Fair value measurements of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of Thrive Leap Group's financial assets that are measured at fair value on a recurring basis

Some of Thrive Leap Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2014 *HK$'000*	Fair value as at 31 March 2015 *HK$'000*	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets — listed equity securities	28,476	37,887	Level 1	Quoted bid price in active markets	N/A	N/A

There were no transfers between level 1, 2 and 3 in the Relevant Period.

The directors of Thrive Leap consider that the carrying amounts of other short-term financial instruments that are recorded at amortised cost in the Financial Information of Thrive Leap Group approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the financial assets and financial liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair values of long-term bank borrowings are estimated using the expected future contractual payments discounted at current market interest rates available to similar financial instruments and approximate their carrying amounts.

Capital risk management

Thrive Leap Group's objectives when managing capital are to safeguard Thrive Leap Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholder to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity attributable to the owners of Thrive Leap as shown in the consolidated statements of financial position.

In order to maintain or adjust the capital structure, Thrive Leap Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Thrive Leap Group's policy was unchanged throughout the Relevant Period.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates 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 estimates and assumptions that have a significant risk of causing a material adjustment to the results and the carrying amounts of assets and liabilities of Thrive Leap Group are discussed below.

Key sources of estimation uncertainty

(a) Property, plant and equipment

Management of Thrive Leap Group determines the estimated useful lives and residual values for Thrive Leap Group's property, plant and equipment. Management of Thrive Leap Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write down technically obsolete or non-strategically assets that have been abandoned or disposed of.

The carrying amounts of property, plant and equipment as at 31 December 2014 and 31 March 2015 were HK$2,172,472,000 and HK$2,247,902,000, respectively.

(b) Impairment of intangible assets

Determining whether intangible assets (where there are indicators of impairment) are impaired requires an estimation of the value in use of the CGU to which intangible assets have been allocated. The value in use calculation requires Thrive Leap Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. Further details are set out in Note 15.

The carrying amounts of intangible assets as at 31 December 2014 and 31 March 2015 were HK$18,059,000 and HK$17,956,000, respectively.

(c) Impairment of trade receivables and notes receivables

The assessment of the impairment loss on trade receivables and notes receivables of Thrive Leap Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of Thrive Leap Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flows discounted at the original effective rate to calculate the present value.

As at 31 December 2014 and 31 March 2015, the aggregate gross amounts of trade receivables and notes receivables were HK$381,108,000 and HK$465,088,000, net of accumulated impairment loss of HK$19,726,000 and HK$19,859,000, respectively.

(d) Allowance for inventories

Management of Thrive Leap Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. Management of Thrive Leap Group estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. Thrive Leap Group carries out an inventory review at the end of reporting period and makes allowance for inventories, as appropriate. If the market condition was to deteriorate, resulting to a lower net realisable value for inventories, additional allowance may be required. The carrying amounts of inventories as at 31 December 2014 and 31 March 2015 were HK$374,108,000 and HK$359,942,000, respectively.

(e) Fair value measurements and valuation processes

Some of Thrive Leap Group's assets are measured at fair value for financial reporting purposes. Management of Thrive Leap Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, Thrive Leap Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Thrive Leap Group engages third party qualified valuers to perform the valuation. Management of Thrive Leap Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Thrive Leap Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 3 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. REVENUE AND SEGMENT INFORMATION

An analysis of Thrive Leap Group's revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue from sale of chemical drugs	—	—	1,268,164	422,827	349,204
Revenue from sale of packaging products	—	—	113,443	34,221	35,180
Revenue from provision of research and development services	—	—	83,513	8,337	21,826
Revenue from transfer of technical know-how	—	—	10,781	2,408	4,887
Others	—	—	14,942	2,816	8,347
	—	—	1,490,843	470,609	419,444

Thrive Leap Group derives all its revenue from the pharmaceutical business in the PRC. The chief operating decision-maker monitors the revenue, results, assets and liabilities of the pharmaceutical business as a whole based on the monthly management accounts which are substantially in conformity with HKFRSs, and considers the assets and liabilities of the pharmaceutical business, which included all assets and liabilities as stated in the consolidated statements of financial position, and considers the revenue and results of the pharmaceutical business represented revenue and profit for the year/period as stated in the consolidated statements of profit or loss and other comprehensive income.

Based on the above, the management of Thrive Leap Group has determined that, on the basis of information used by the chief operating decision-maker for the purposes of resources allocation and performance evaluation, the entire Thrive Leap Group is a single operating and reporting segment. The management of Thrive Leap considers that the cost to develop reports of revenue from external customers by product and service is excessive.

Furthermore, as all the non-current assets of Thrive Leap Group are physically located in the PRC and all revenue are derived from the PRC based on location of operation of the relevant group entities, no geographical information is presented.

There is no revenue from any single external customers that contributed over 10% of the total revenue of Thrive Leap Group throughout the Relevant Period.

6. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	—	—	34,892	8,670	3,395
Dividend income from unlisted available-for-sale financial assets	—	—	2,070	—	13,317
Government grants	—	—	17,470	2,839	2,308
Sundries	—	—	1,056	93	207
	—	—	55,488	11,602	19,227

7. OTHER (LOSSES) GAINS, NET

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net exchange (loss) gain	—	—	(21)	(12)	5
Net (loss) gain on disposal of property, plant and equipment	—	—	(125)	(107)	1
Impairment loss on property, plant and equipment	—	—	(593)	—	—
Reversal of allowance (allowance) for trade receivables	—	—	419	(92)	(83)
(Allowance) reversal of allowance for inventories	—	—	(4,430)	—	272
	—	—	(4,750)	(211)	195

8. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest expenses on bank borrowings wholly repayable within five years	—	—	22,007	8,110	15,339
Less: Amounts capitalised in construction in progress (included in property, plant and equipment)	—	—	(11,903)	(5,621)	(13,739)
	—	—	10,104	2,489	1,600

Borrowing costs capitalised arose on the specific borrowings carrying interest at the following rates:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
				(unaudited)	
Interest rates	N/A	N/A	6.00% to 6.55%	6.00% to 6.55%	5.75% to 6.55%

9. TAX EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current taxation:					
PRC Enterprise Income Tax ("EIT")	—	—	40,998	21,012	13,949
Overprovision in prior years:					
PRC EIT	—	—	(2,747)	—	—
Deferred taxation *(Note 18)*	—	—	(2,169)	(217)	(660)
	—	—	36,082	20,795	13,289

Throughout the Relevant Period:

(i) Most of Thrive Leap Group's PRC subsidiaries are subject to a preferential EIT rate of 15% as they are qualified as High and New Technology Enterprises.

(ii) No provision for Hong Kong Profits Tax has been made as there was no estimated assessable profit arising in or derived from Hong Kong.

The tax expense can be reconciled to (loss) profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit before tax	(15)	(57)	150,423	84,484	81,998
Tax at PRC preferential EIT rate of 15%	(2)	(9)	22,563	12,673	12,299
Income not subject to taxation	—	—	(6,438)	(1,068)	(2,809)
Expenses not deductible for taxation purposes	2	9	17,677	6,337	1,823
Overprovision in prior years	—	—	(2,747)	—	—
Tax losses not recognised	—	—	5,027	2,853	1,976
Tax expense	—	—	36,082	20,795	13,289

10. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit for the year/period is arrived at after charging:					
Employee's benefit expense (including directors' emoluments) included in:					
— Cost of sales	—	—	100,415	25,401	26,762
— Selling and distribution expenses	—	—	69,376	17,119	17,209
— General and administrative expenses	—	—	193,579	42,049	46,785
— Research and development expenses	—	—	31,586	7,094	6,146
	—	—	394,956	91,663	96,902
Cost of inventories recognised as an expense	—	—	637,419	184,913	187,455
Depreciation of property, plant and equipment	—	—	70,568	16,760	19,514
Amortisation of land use rights	—	—	4,526	1,101	1,635
Amortisation of intangible assets	—	—	1,012	255	149
Operating lease expenses on rented premises	—	—	1,492	371	142
Auditor's remuneration	—	20	985	8	4
Advertising and promotion expenses included in selling and distribution expenses	—	—	107,409	33,027	11,885
Consumable expenses included in research and development expenses	—	—	27,583	4,629	6,706

11. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Dividends recognised as distributions during the year/period					
— Jinhao or its subsidiaries	—	—	138,756	—	—

12. EARNINGS PER SHARE

Earnings per share is not presented as it is not considered meaningful having regard to the purpose of this Financial Information of Thrive Leap Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements, furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2012, 31 December 2012 and 2013	—	—	—	—	—	—	—
At 1 January 2014, as originally stated	—	—	—	—	—	—	—
Effect of application of merger accounting	542,010	469,145	51,494	33,631	1,134,393	2,299	2,232,972
At 1 January 2014, as restated	542,010	469,145	51,494	33,631	1,134,393	2,299	2,232,972
Exchange differences	490	206	9	5	524	7	1,241
Additions	1,935	26,740	3,436	902	503,277	2,846	539,136
Transfers	218,277	67,946	636	—	(286,859)	—	—
Disposals	(26,476)	(13,478)	(349)	(850)	(9,323)	—	(50,476)
At 31 December 2014	736,236	550,559	55,226	33,688	1,342,012	5,152	2,722,873
Exchange differences	1,849	1,394	142	87	3,733	13	7,218
Additions	6,628	5,214	547	96	87,162	53	99,700
Transfers	—	705	2	226	(933)	—	—
Disposals	(11,706)	(6,858)	(13)	—	(479)	—	(19,056)
At 31 March 2015	733,007	551,014	55,904	34,097	1,431,495	5,218	2,810,735
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2012, 31 December 2012 and 2013	—	—	—	—	—	—	—
At 1 January 2014, as originally stated	—	—	—	—	—	—	—
Effect of application of merger accounting	157,271	274,283	33,904	17,409	—	1,112	483,979
At 1 January 2014, as restated	157,271	274,283	33,904	17,409	—	1,112	483,979
Exchange differences	60	81	22	4	—	4	171
Charge for the year	24,155	34,938	8,879	2,340	—	256	70,568
Impairment loss recognised in profit or loss	—	593	—	—	—	—	593
Disposals	(373)	(3,359)	(337)	(841)	—	—	(4,910)
At 31 December 2014	181,113	306,536	42,468	18,912	—	1,372	550,401
Exchange differences	477	788	119	51	—	4	1,439
Charge for the period	7,400	8,256	2,926	812	—	120	19,514
Disposals	(2,849)	(5,660)	(12)	—	—	—	(8,521)
At 31 March 2015	186,141	309,920	45,501	19,775	—	1,496	562,833
CARRYING VALUES							
At 31 December 2014	555,123	244,023	12,758	14,776	1,342,012	3,780	2,172,472
At 31 March 2015	546,866	241,094	10,403	14,322	1,431,495	3,722	2,247,902

Depreciation of property, plant and equipment, other than construction in progress, is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	35 years
Plant and machinery	5–20 years
Leasehold improvements, furniture and equipment	3–10 years
Motor vehicles	8–12 years
Others	5–10 years

14. LAND USE RIGHTS

Thrive Leap Group's interests in land use rights represent prepaid operating lease payments related to leases of 50 years in the PRC.

Land use rights with carrying amounts of approximately HK$32 million and HK$32 million as at 31 December 2014 and 31 March 2015, respectively, have been pledged to secure banking borrowings drawn by Thrive Leap Group.

Thrive Leap Group had not obtained land ownership certificates for leasehold land located in Tianjin with carrying values of HK$87,207,000 and HK$87,866,000 as at 31 December 2014 and 31 March 2015, respectively. In the opinion of the directors of Thrive Leap, the absence of formal title to these land interests does not impair their carrying value and the probability of being evicted on the ground of an absence of formal title is remote.

15. INTANGIBLE ASSETS

	Patents	Technical know-how	Total
	HK$'000	*HK$'000*	*HK$'000*
	(note a)	*(note b)*	
COST			
At 1 January 2012, 31 December 2012 and 2013	—	—	—
At 1 January 2014, as originally stated	—	—	—
Effect of application of merger accounting	15,893	13,925	29,818
At 1 January 2014, as restated and 31 December 2014	15,893	13,925	29,818
Exchange differences	40	35	75
At 31 March 2015	15,933	13,960	29,893
AMORTISATION			
At 1 January 2012, 31 December 2012 and 2013	—	—	—
At 1 January 2014, as originally stated	—	—	—
Effect of application of merger accounting	10,746	—	10,746
At 1 January 2014, as restated	10,746	—	10,746
Charge for the year	1,012	—	1,012
Exchange differences	1	—	1
At 31 December 2014	11,759	—	11,759
Charge for the period	149	—	149
Exchange differences	29	—	29
At 31 March 2015	11,937	—	11,937
CARRYING VALUES			
At 31 December 2014	4,134	13,925	18,059
At 31 March 2015	3,996	13,960	17,956

notes:

(a) Patents acquired by Thrive Leap Group are considered by the management of Thrive Leap Group as having useful lives of 10 years.

(b) Technical know-how represents medical licence and technical know-how acquired separately and will be amortised over their expected useful lives.

16. INTERESTS IN ASSOCIATES

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Thrive Leap Group's interests in associates				
Unlisted investments in the PRC				
— 天津田邊製藥	—	—	61,507	62,469
— 天津世紀天龍	—	—	23,211	23,073
— 廣州市力鑫醫藥	—	—	35,910	36,015
Others	—	—	21,147	20,699
	—	—	141,775	142,256

Details of principal associates which in the opinion of the directors of Thrive Leap materially affect the results and/or net assets of Thrive Leap Group are set out in Note 34.

Summarised financial information of material associates

Summarised financial information in respect of Thrive Leap Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in the Financial Information of Thrive Leap Group.

天津田邊製藥

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	N/A	N/A	240,416	235,640
Non-current assets	N/A	N/A	147,538	160,048
Current liabilities	N/A	N/A	(62,787)	(66,314)
Non-current liabilities	N/A	N/A	(75,644)	(75,950)

	Year ended 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	Three months ended 31 March 2015 HK$'000
Revenue	N/A	N/A	303,540	92,111
Profit and total comprehensive income for the year/period	N/A	N/A	22,056	3,181
Dividends received from the associate during the year/period	N/A	N/A	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in 天津田邊製藥 recognised in the Financial Information of Thrive Leap Group:

	At 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	At 31 March 2015 HK$'000
Equity attributable to owners of the associate	N/A	N/A	249,523	253,424
Proportion of Thrive Leap Group's ownership interest in the associate and carrying amount of Thrive Leap Group's interest in the associate	N/A	N/A	61,507	62,469

Thrive Leap indirectly held 24.65% equity interest of 天津田邊製藥 through Lisheng as at 31 December 2014 and 31 March 2015.

天津世紀天龍

	At 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	At 31 March 2015 HK$'000
Current assets	N/A	N/A	62,283	65,593
Non-current assets	N/A	N/A	298,179	311,688
Current liabilities	N/A	N/A	(236,671)	(254,224)
Non-current liabilities	N/A	N/A	—	—

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	N/A	N/A	3,340	4,998
(Loss) profit and total comprehensive (expense) income for the year/period	N/A	N/A	(16,773)	1,047
Dividends received from the associate during the year/period	N/A	N/A	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in 天津世紀天龍 recognised in the Financial Information of Thrive Leap Group:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity attributable to owners of the associate	N/A	N/A	123,791	123,057
Proportion of Thrive Leap Group's ownership interest in the associate and carrying amount of Thrive Leap Group's interest in the associate	N/A	N/A	23,211	23,073

廣州市力鑫醫藥

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	N/A	N/A	174,779	187,765
Non-current assets	N/A	N/A	128,938	127,957
Current liabilities	N/A	N/A	(160,077)	(171,662)
Non-current liabilities	N/A	N/A	—	—

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	N/A	N/A	255,877	47,273
Profit and total comprehensive income for the year/period	N/A	N/A	181	58
Dividends received from the associate during the year/period	N/A	N/A	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in 廣州市力鑫醫藥 recognised in the Financial Information of Thrive Leap Group:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity attributable to owners of the associate	N/A	N/A	143,640	144,060
Proportion of Thrive Leap Group's ownership interest in the associate and carrying amount of Thrive Leap Group's interest in the associate	N/A	N/A	35,910	36,015

Aggregate information of associates that are not individually material:

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Thrive Leap Group's share of profit (loss)	N/A	N/A	98	(500)
Thrive Leap Group's share of total comprehensive income (expense)	N/A	N/A	98	(500)
Aggregate carrying amount Thrive Leap Group's interests in these associates	N/A	N/A	21,147	20,699

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		At 31 December			At 31 March
		2012	**2013**	**2014**	**2015**
	notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities					
Listed, at market value	(a)	—	—	28,476	37,887
Unlisted	(b)	—	—	220,426	220,985
		—	—	248,902	258,872

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January, as originally stated	—	—	—	28,476
Effect of application of merger accounting	—	—	20,368	—
At 1 January, as restated	—	—	20,368	28,476
Exchange differences	—	—	20	108
Change in fair value	—	—	8,088	9,303
At the end of the year/period	—	—	28,476	37,887

notes:

(a) The PRC listed equity securities are stated at fair values, which are determined by reference to bid price quoted in active markets.

(b) The unlisted available-for-sale financial assets are principally equity investments in certain entities established and operated in the PRC. They are denominated in Renminbi and carried at cost because the range of reasonable fair value estimates is so significant that the directors of Thrive Leap are of the opinion that their fair values cannot be measured reliably.

18. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Period:

	Provision for impairment HK$'000	Unrealised profits on inventories HK$'000	Deferred income HK$'000	Fair value adjustment on available-for-sale financial assets HK$'000	Total HK$'000
At 1 January 2012, 31 December 2012 and 2013	—	—	—	—	—
At 1 January 2014, as originally stated	—	—	—	—	—
Effect of application of merger accounting	3,908	1,639	6,822	(2,792)	9,577
At 1 January 2014, as restated	3,908	1,639	6,822	(2,792)	9,577
Deferred tax credited (charged) to profit or loss	188	2,270	(289)	—	2,169
Deferred tax charged to other comprehensive income	—	—	—	(1,213)	(1,213)
Exchange differences	—	6	(1)	(3)	2
At 31 December 2014	4,096	3,915	6,532	(4,008)	10,535
Deferred tax (charged) credited to profit or loss	(344)	710	294	—	660
Deferred tax charged to other comprehensive income	—	—	—	(1,395)	(1,395)
Exchange differences	10	12	17	(16)	23
At 31 March 2015	3,762	4,637	6,843	(5,419)	9,823

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax assets	—	—	14,543	15,242
Deferred tax liabilities	—	—	(4,008)	(5,419)
	—	—	10,535	9,823

Under the PRC Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. As at 31 December 2014 and 31 March 2015, the aggregate amounts of temporary differences associated with undistributed profits of PRC entities for which deferred tax liabilities have not been recognised were approximately HK$1,052 million and HK$1,084 million, respectively. No liability has been recognised in respect of these differences because Thrive Leap is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19. INVENTORIES

	At 31 December 2012	2013	2014	At 31 March 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	—	—	120,371	104,560
Work in progress	—	—	78,585	88,205
Finished goods	—	—	171,332	154,178
Consumable stocks	—	—	3,820	3,999
	—	—	374,108	350,942

20. TRADE RECEIVABLES, NOTES RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	notes	At 31 December 2012	2013	2014	At 31 March 2015
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables					
Fully performing	(a)	—	—	122,397	167,331
Past due but not impaired	(b)	—	—	9,690	3,400
Impaired	(c)	—	—	19,726	19,859
Trade receivables — gross		—	—	151,813	190,590
Less: allowance for impairment	(c)	—	—	(19,726)	(19,859)
Trade receivables — net	(d)	—	—	132,087	170,731
Notes receivables	(e)	—	—	229,295	274,498
		—	—	361,382	445,229
Other receivables, deposits and prepayments					
Deposits for purchase of raw materials		—	—	14,030	9,436
Other deposits		—	—	4,051	7,189
Other taxes recoverable		—	—	33,806	24,919
Others		—	—	14,504	34,973
		—	—	66,391	76,517

notes:

(a) Thrive Leap Group has a credit policy which is dependent on the practice of the market and the business in which it operates. In general, credit periods of 30 to 180 days are granted to customers. Receivables classified as fully performing are trade receivables with no history of default payment. The notes receivables have a general maturity period of 90 to 180 days.

(b) Trade receivables that were past due but not impaired are related to a wide range of customers, and management of Thrive Leap Group believes that no impairment or provision is necessary as there has not been a significant change in the credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	—	—	—	—
91 to 180 days	—	—	6,310	—
181 to 365 days	—	—	—	—
Over 365 days	—	—	3,380	3,410
	—	—	9,690	3,410

(c) As at 31 December 2014 and 31 March 2015, trade receivables of HK$19,726,000 and HK$19,859,000, respectively, were impaired. The age and settlement track record of individual receivables were considered in the review of their impairment.

Movements on the allowance of trade receivables are as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January, as originally stated	—	—	—	19,726
Effect of application of merger accounting	—	—	23,218	—
At 1 January, as restated	—	—	23,218	19,726
Exchange differences	—	—	(9)	50
Allowance made	—	—	1,634	252
Reversal of allowance	—	—	(2,053)	(169)
Written off as uncollectible	—	—	(3,064)	—
At the end of the year/period	—	—	19,726	19,859

The creation and release of provision for impaired receivables are included in other (losses) gains in the consolidated statements of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash with reference to past default experience of the counterparty and analysis of the counterparty's current financial position.

(d) The amounts at as 31 December 2014 and 31 March 2015 included amounts due from fellow subsidiaries of HK$11,197,000 and HK$22,133,000, respectively.

(e) The ageing analysis of Thrive Leap Group's trade and notes receivables (net of allowance) by age, presented based on the invoice date, is as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	—	—	208,316	303,711
91 to 180 days	—	—	140,139	132,733
181 to 365 days	—	—	8,101	4,301
Over 1 year	—	—	4,826	4,484
	—	—	361,382	445,229

(f) The carrying amounts of trade receivables, notes receivables and other receivables approximate their fair value and are mainly denominated in Renminbi. Thrive Leap Group has no significant concentration of credit risk in relation to these receivables and does not hold any collateral as security.

21. ENTRUSTED DEPOSITS

As at 31 December 2014 and 31 March 2015, the entrusted deposits were placed with a financial institution in the PRC with maturity less than 12 months after the end of the reporting period. The deposits carried fixed rates of return ranging from 5.40% to 5.70% and 5.40% to 5.75% per annum, respectively.

22. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES, TIME DEPOSITS WITH MATURITY OVER THREE MONTHS

The bank balances of Thrive Leap Group carry interest at market rates and are analysed as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	—	—	677,407	760,656
Time deposits in banks with maturity less than three months	—	—	149,306	38,229
Cash and cash equivalents	—	—	826,713	798,885
Restricted bank balances	—	—	—	6,345
Time deposits in banks with maturity over three months	—	—	1,016,848	982,919
	—	—	1,843,561	1,788,149

The carrying amounts of cash and cash equivalents, restricted bank balances and time deposits with maturity over three months approximate their fair values and are mainly denominated in Renminbi.

The effective interest rates on cash at banks and time deposits in banks are as follows:

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
Effective interest rates	N/A	N/A	0.35% to 5.10%	0.35% to 5.40%

23. SHARE CAPITAL

	Number of shares
Authorised ordinary shares of US$1 each:	
At 1 January 2012, 31 December 2012, 2013 and 2014 and 31 March 2015	10,000
Issued and fully paid ordinary shares of US$1 each:	
At 1 January 2012, 31 December 2012, 2013 and 2014 and 31 March 2015	10,000
	HK$'000
Shown in the Financial Information of Thrive Leap Group:	
As at 1 January 2012, 31 December 2012, 2013 and 2014 and 31 March 2015	78

24. DEFINED BENEFIT OBLIGATIONS

Thrive Leap Group provides supplementary pension benefits to certain retired employees, which are accounted for as defined benefit plans.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2014. The present value of the defined benefit obligations, the related current service cost and past service cost, are measured using the projected unit credit method.

Significant actuarial assumptions for the determination of the defined obligations are discount rate and mortality.

Thrive Leap Group expects to make a payment of HK$2,653,000 to the entitled employees during the year ending 31 December 2015.

25. DEFERRED INCOME

Government grants are received in advance from the relevant government authorities for the purpose of supporting the research and development activities on certain new pharmaceutical products.

The amount of deferred income will be recognised in the same period as the related research and development activities are carried out and expenses are incurred or will be deducted from the carrying amount of the depreciable assets when the related assets for research and development activities are acquired.

26. BANK BORROWINGS

	At 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	At 31 March 2015 HK$'000
Non-current				
Bank borrowings				
— Secured	—	—	—	—
— Unsecured	—	—	115,425	95,598
	—	—	115,425	95,598
Current				
Bank borrowings				
— Secured	—	—	34,177	33,825
— Unsecured	—	—	91,266	96,154
	—	—	125,443	129,979
Total borrowings	—	—	240,868	225,577

notes:

(a) The maturity of bank borrowings is as follows:

	At 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	At 31 March 2015 HK$'000
Bank borrowings:				
Within one year	—	—	125,443	129,979
In the second year	—	—	52,134	32,146
More than two years but not more than five years	—	—	63,291	63,452
	—	—	240,868	225,577

(b) The effective interest rates of bank borrowings at the end of the reporting period are as follows:

	At 31 December 2012	2013	2014	At 31 March 2015
Bank borrowings	N/A	N/A	6.71%	6.44%

(c) The carrying amounts of bank borrowings are denominated in Renminbi and approximate their fair values.

27. TRADE PAYABLES, NOTES PAYABLES, OTHER PAYABLES AND ACCRUALS

The ageing analysis of Thrive Leap Group's trade and notes payables, based on invoice date, is as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	—	—	48,764	77,128
91 to 180 days	—	—	1,174	5,545
181 to 365 days	—	—	5,835	1,726
Over 365 days	—	—	3,441	3,319
	—	—	59,214	87,718

The carrying amounts of trade payables approximate their fair value and are mainly denominated in Renminbi.

The other payables and accruals mainly consist of receipts in advance, value-added tax payables, payables for acquisition of property, plant and equipment and employee benefits payables.

28. AMOUNT DUE TO TIANJIN PHARMACEUTICAL

The balance is non-trade in nature, denominated in Renminbi and is unsecured, interest-free and no fixed repayment term.

29. PLEDGE OF ASSETS

Thrive Leap Group's credit facilities were secured by its assets as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Restricted bank balances	—	—	—	6,345
Land use rights	—	—	31,872	31,775

30. CAPITAL COMMITMENTS

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for in respect of acquisition of property, plant and equipment	—	—	400,542	315,350

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of profit before tax to cash generated from (used in) operations:

	Year ended 31 December	Three months ended 31 March	
	2014	2014	2015
	HK$'000	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	150,423	84,484	81,998
Adjustments for:			
Net loss (gain) on disposal of property, plant and equipment	125	107	(1)
Finance costs	10,104	2,489	1,600
Interest income	(34,892)	(8,670)	(3,395)
Dividend income from available-for-sale financial assets	(2,070)	—	(13,317)
Depreciation of property, plant and equipment	70,568	16,760	19,514
Share of results of associates	(2,444)	1,335	(120)
Amortisation of land use rights	4,526	1,101	1,635
Amortisation of intangible assets	1,012	255	149
Net exchange loss (gain)	21	12	(5)
Allowance (reversal of allowance) for inventories	4,430	—	(272)
(Reversal of allowance) allowance for trade receivables	(419)	92	83
Impairment loss on property, plant and equipment	593	—	—
Changes in working capital:			
Inventories	(23,553)	17,907	24,296
Trade receivables	(5,871)	(65,566)	(38,246)
Notes receivables	62,493	(71,691)	(44,452)
Other receivables, deposits and prepayments	14,125	(25,869)	3,398
Trade payables	4,269	6,570	10,866
Notes payables	—	—	17,380
Other payables and accruals	26,589	(68,803)	(2,055)
Defined benefit obligations	(1,149)	(1,870)	—
Deferred income	1,219	85,087	(15,375)
Cash generated from (used in) operations	280,099	(26,270)	43,681

32. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Transactions

During the Relevant Period, Thrive Leap Group entered into the following significant transactions with related companies:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Purchases of goods	—	—	37,888	11,445	5,665
Sales of goods	—	—	265,606	49,275	69,279
	—	—	303,494	60,720	74,944

note: The related companies are entities controlled by Tianjin Pharmaceutical.

(b) Balances

Details of balances with related parties are set out in Notes 20 and 28.

(c) Compensation of key management personnel

The remuneration of Thrive Leap's directors and other members of key management personnel during the Relevant Period is as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other emoluments	—	—	10,893	1,455	1,550

The remuneration of Thrive Leap's directors and key executives is determined with reference to the performance of individuals and market trends.

(d) Transactions/balances with other enterprises controlled, jointly controlled or significantly influenced by the PRC government

Tianjin Tsinlien is a state-owned enterprise and ultimately controlled by the Tianjin Municipal People's Government of the PRC. In accordance with HKAS 24 (Revised) "Related Party Disclosures", entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Thrive Leap Group. On that basis, related parties include Tianjin Tsinlien and other state-owned enterprises and entities directly or indirectly controlled, jointly controlled or significantly influenced by them and other entities and corporations in which Thrive Leap is able to exercise joint control or significant influence. During the Relevant Period, the price and other terms of the transactions with these entities are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

33. PRINCIPAL SUBSIDIARIES

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of Thrive Leap Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Profit allocated to non-controlling interests: Year ended 31 December 2012	2013	2014	Three months ended 31 March 2015	Accumulated non-controlling interests: At 31 December 2012	2013	2014	At 31 March 2015
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Lisheng	The PRC	—	—	57,048	35,347	—	—	1,791,667	1,831,664
Individually immaterial subsidiaries with non-controlling interests						—	—	163,615	168,272
						—	—	1,955,282	1,999,936

The proportion of ownership interests and voting rights held by non-controlling interests of Lisheng was 48.64% as at 31 December 2014 and 31 March 2015.

Summarised financial information in respect of Lisheng is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Lisheng and its subsidiaries

	At 31 December 2012	2013	2014	At 31 March 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	N/A	N/A	1,968,491	1,958,951
Non-current assets	N/A	N/A	2,124,371	2,183,027
Current liabilities	N/A	N/A	(313,372)	(261,985)
Non-current liabilities	N/A	N/A	(96,041)	(114,303)
Equity attributable to owners of Thrive Leap Group	N/A	N/A	1,891,782	1,934,026
Non-controlling interests	N/A	N/A	1,791,667	1,831,664

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	N/A	N/A	976,923	293,479
Share of profit of associates	N/A	N/A	5,338	864
Profit and total comprehensive income for the year/period	N/A	N/A	117,281	72,680
Profit for the year/period attributable to non-controlling interests	N/A	N/A	57,048	35,347
Dividends in respect of the prior year paid to non-controlling interests during the year/period	N/A	N/A	(67,232)	—
Net cash from operating activities	N/A	N/A	91,442	92,898
Net cash used in investing activities	N/A	N/A	(350,785)	(121,477)
Net cash used in financing activities	N/A	N/A	(171,377)	(12,978)
Net cash outflow	N/A	N/A	(430,720)	(41,557)

34. PRINCIPAL ASSOCIATES

			Attributable to Thrive Leap Group			
Name	Principal activities	Registered capital/issued and paid up capital	At 31 December 2012	2013	2014	At 31 March 2015
			%	%	%	%
Established and operating in the PRC:						
天津田邊製藥 *(note)*	Manufacture and sale of chemical drugs	RMB110,533,424	—	—	12.66	12.66
天津世紀天龍 *(note)*	Manufacture and sale of chemical drugs	RMB90,670,000	—	—	18.75	18.75
廣州市力鑫醫藥	Research and development of new medicine technology and new products	RMB200,000,000	—	—	25	25

note: Thrive Leap Group is able to exercise significant influence over 天津田邊製藥 and 天津世紀天龍 through Thrive Leap Group's ability to appoint a board representative.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Thrive Leap, any of its subsidiaries or Thrive Leap Group have been prepared in respect of any period subsequent to 31 March 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report received from Deloitte Touche Tohmatsu, an independent reporting accountant, prepared for the purpose of incorporation in this circular.

Deloitte.
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Deloitte Touche Tohmatsu
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Hong Kong

21 August 2015

The Directors
Tianjin Development Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding TianJin Jinhao Pharmaceutical Company Limited ("Jinhao") and its subsidiaries (collectively referred to as "Jinhao Group") for each of the three years ended 31 December 2014 and the three months ended 31 March 2015 (the "Relevant Period") (the "Financial Information of Jinhao Group") for inclusion in a circular issued by Tianjin Development Holdings Limited (the "Company") dated 21 August 2015 in connection with the Company's proposed acquisition of 67% of the issued share capital of Thrive Leap Limited, of which Jinhao is an indirect wholly owned subsidiary (the "Acquisition") (the "Circular").

The Acquisition constitutes a major and connected transaction of the Company under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Jinhao was established as a company with limited liability in the People's Republic of China (the "PRC") on 2 August 2011.

Details of the subsidiaries and associates held by Jinhao during the Relevant Period and as at the date of this report are as follows:

Company name	Place and date of establishment	Registered capital/ issued and paid up capital	Attributable equity interest/ voting right held by Jinhao Group At 31 December 2012 %	2013 %	2014 %	At 31 March 2015 %	At date of report %	Principal activities	Form of company
Subsidiaries									
Directly held									
Tianjin Lisheng Pharmaceutical Co., Ltd. 天津力生製藥股份有限公司 ("Lisheng") *(note 1)*	The PRC 17 June 1981	RMB182,454,992	51.36	51.36	51.36	51.36	51.36	Investment holding and manufacture and sale of chemical drugs	Limited liability
Tianjin Yiyao Printing Co., Ltd. 天津宜藥印務有限公司 ("Yiyao Printing") *(note 1)*	The PRC 1 March 1993	RMB39,450,000	65	65	65	65	65	Investment holding and design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials	Limited liability

Company name	Place and date of establishment	Registered capital/ issued and paid up capital	Attributable equity interest/ voting right held by Jinhao Group: At 31 December 2012	At 31 December 2013	At 31 December 2014	At 31 March 2015	At date of report	Principal activities	Form of company
			%	%	%	%	%		
Tianjin Institute of Pharmaceutical Research Co., Ltd. 天津藥物研究院有限公司 ("Research Institute") *(notes 1 & 2)*	The PRC 17 April 2002	RMB38,991,486	100	100	100	100	100	Investment holding and research and development of new medicine technology and new products	Limited liability
Indirectly held									
天津力生吉田醫藥包裝有限公司	The PRC 18 October 2001	RMB500,000	46.22	46.22	46.22	46.22	46.22	Sales of pharmaceutical packaging products	Limited liability
天津市新冠製藥有限公司	The PRC 29 November 2007	RMB48,000,000	51.36	51.36	51.36	51.36	51.36	Manufacture and sale of chemical drugs	Limited liability
天津生物化學製藥有限公司	The PRC 19 September 1980	RMB110,822,800	51.36	51.36	51.36	51.36	51.36	Manufacture and sale of chemical drugs	Limited liability
Tianjin Central Pharmaceutical Co., Ltd. 天津市中央藥業有限公司 ("Central Pharmaceutical") *(note 1)*	The PRC 19 December 1996	RMB82,350,000	51.36	51.36	51.36	51.36	51.36	Manufacture and sale of chemical drugs	Limited liability
天津藥物研究院藥業有限公司	The PRC 18 August 1994	RMB50,000,000	100	100	100	100	100	Research and development of new medicine technology and new products	Limited liability
天津泰普滬亞醫藥智慧財產權流轉儲備中心有限公司 (Formerly known as 天津泰普醫藥智慧財產權流轉儲備中心有限公司)	The PRC 24 March 2011	RMB5,000,000	100	100	51	51	51	Research and development of new medicine technology and new products	Sino-foreign equity joint venture
天津泰普醫藥行業生產力促進中心有限公司	The PRC 24 March 2011	RMB1,000,000	100	100	100	100	100	Research and development of new medicine technology and new products	Limited liability
天津泰聯環球生物技術有限公司	The PRC 7 September 2009	RMB500,000	51	51	51	51	51	Research and development of new medicine technology and new products	Sino-foreign equity joint venture
天津中草藥雜誌社有限公司	The PRC 8 July 2009	RMB400,000	100	100	100	100	100	Provision of press issuing and advertising services	Limited liability
天津康鴻醫藥科技發展有限公司	The PRC 4 September 2003	RMB5,000,000	100	100	100	100	100	Research and development of new medicine technology and new products	Limited liability
天津藥物研究院新藥評價有限公司	The PRC 20 July 2005	RMB1,000,000	100	100	100	100	100	Research and development of new medicine technology and new products	Limited liability
天津泰普大藥房有限公司	The PRC 4 June 1997	RMB195,000	100	100	100	100	100	Sales of pharmaceutical products	Limited liability
天津泰普藥品科技發展有限公司	The PRC 21 November 2002	RMB10,000,000	56.55	56.55	56.55	56.55	56.55	Research and development of new medicine technology and new products	Limited liability
天津市亨必達化學合成物有限公司	The PRC 18 August 1994	RMB5,000,000	80	80	80	80	80	Sale of chemical drugs	Limited liability
海南立歐藥業有限公司	The PRC 23 May 2007	RMB5,000,000	100	100	100	100	100	Sale of chemical drugs	Limited liability

Company name	Place and date of establishment	Registered capital/ issued and paid up capital	Attributable equity interest/ voting right held by Jinhao Group					Principal activities	Form of company
			At 31 December			At 31 March	At date of		
			2012	2013	2014	2015	report		
			%	%	%	%	%		
天津泰普製藥有限公司	The PRC 16 December 2010	RMB60,000,000	56.55	56.55	56.55	56.55	56.55	Research and development of new medicine technology and new products	Limited liability
天津藝軒林廣告製作有限公司	The PRC 10 November 1988	RMB540,000	65	65	65	65	65	Provision of advertising services	Limited liability
Associates									
天津田邊製藥有限公司 ("天津田邊製藥")	The PRC 15 October 1993	RMB110,533,424	17.12	12.66	12.66	12.66	12.66	Manufacture and sale of chemical drugs	Sino-foreign equity joint venture
天津世紀天龍藥業有限公司 ("天津世紀天龍")	The PRC 19 May 2009	RMB90,670,000	20.83	18.75	18.75	18.75	18.75	Manufacture and sale of chemical drugs	Limited liability
廣州市力鑫醫藥有限公司 ("廣州市力鑫醫藥") *(note 3)*	The PRC 8 January 2003	RMB200,000,000	—	25	25	25	25	Research and development of new medicine technology and new products	Limited liability
天津新內田製藥有限公司	The PRC 13 June 1995	RMB50,527,833	15.41	15.41	15.41	15.41	15.41	Manufacture and sale of pharmaceutical products	Sino-foreign equity joint venture
天津市醫藥集團技術發展有限公司	The PRC 21 May 1998	RMB15,000,000	33	33	33	33	33	Distribution of chemical drugs	Limited liability

notes:

1. All English translated names are for identification only.

2. The name of Research Institute was changed to 天津藥物研究院有限公司 in 2014. It was previously known as 天津藥物研究院, an enterprise owned by the Whole People (全民所有制企業).

3. The associate was acquired in 2013.

The statutory financial statements of Jinhao for the year ended 31 December 2012 and each of the two years ended 31 December 2013 and 2014 were audited by RSM China Certified Public Accountants LLP and Ruihua Certified Public Accountants LLP respectively, and have been prepared in accordance with relevant accounting policies and financial regulations applicable to entities established in the PRC ("PRC GAAP").

No statutory financial statements have been prepared for 天津藝軒林廣告製作有限公司 and Research Institute for the three years ended 31 December 2014 and the years ended 31 December 2012 and 2013, respectively, as there was no statutory audit requirement.

The statutory financial statements of Jinhao's subsidiaries established in the PRC (for the purpose of this report, the PRC excludes Hong Kong) for the relevant financial years during the Relevant Period were prepared in accordance with PRC GAAP and were audited by the following certified public accountants registered in the PRC.

Details of these audited financial statements are as follows:

Company name	Financial periods	Name of auditors
Lisheng	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
Yiyao Printing	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
Research Institute	For the year ended 31 December 2014	Ruihua Certified Public Accountants LLP
天津力生吉田醫藥包裝有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津市新冠製藥有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津生物化學製藥有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
Central Pharmaceutical	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津藥物研究院藥業有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP

Company name	Financial periods	Name of auditors
天津泰普滬亞醫藥智慧財產權流轉儲備中心有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津泰普醫藥行業生產力促進中心有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津泰聯環球生物技術有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津中草藥雜誌社有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津康鴻醫藥科技發展有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津藥物研究院新藥評價有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津泰普大藥房有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津泰普藥品科技發展有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP

Company name	Financial periods	Name of auditors
天津市亨必達化學合成物有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
海南立歐藥業有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP
天津泰普製藥有限公司	For the year ended 31 December 2012	RSM China Certified Public Accountants LLP
	For the years ended 31 December 2013 and 2014	Ruihua Certified Public Accountants LLP

For the purpose of this report, the directors of Jinhao have prepared the consolidated financial statements of Jinhao Group for the Relevant Period in accordance with the accounting policies which conform with the Hong Kong Financial Reporting Standards (the "HKFRS") (which include all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have performed an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The Financial Information of Jinhao Group set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 2 of the Financial Information of Jinhao Group. No adjustments have been made to the Underlying Financial Statements for the preparation of our report for inclusion in the Circular.

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

In our opinion, the Financial Information of Jinhao Group together with notes thereto gives, for the purpose of this report, a true and fair view of the financial position of Jinhao Group as at 31 December 2012, 2013 and 2014 and 31 March 2015 and of the consolidated financial performance and cash flows of Jinhao Group for the Relevant Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of Jinhao Group for the three months ended 31 March 2014 together with the notes thereto have been extracted from Jinhao Group's unaudited consolidated financial information for the same period (the "March 2014 Financial Information") which was prepared by the directors of Jinhao solely for the purpose of this report. We have conducted our review on the March 2014 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the March 2014 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the March 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the March 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information of Jinhao Group which conform with HKFRSs.

A. FINANCIAL INFORMATION OF JINHAO GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	5	1,825,290	1,865,677	1,490,843	470,609	419,444
Cost of sales		(710,089)	(670,602)	(637,419)	(184,913)	(187,455)
Gross profit		1,115,201	1,195,075	853,424	285,696	231,989
Other income	6	76,564	84,252	55,488	11,602	19,227
Other (losses) gains, net	7	(1,659)	(2,886)	(4,750)	(211)	195
Selling and distribution expenses		(346,758)	(371,092)	(322,485)	(112,497)	(77,227)
General and administrative expenses		(246,093)	(264,837)	(305,162)	(68,417)	(63,087)
Research and development expenses		(99,624)	(105,666)	(118,401)	(27,865)	(27,619)
Finance costs	8	(3,932)	(4,188)	(10,104)	(2,489)	(1,600)
Share of results of associates	16	491	(3,169)	2,444	(1,335)	120
Profit before tax		494,190	527,489	150,454	84,484	81,998
Tax expense	9	(97,359)	(92,009)	(36,082)	(20,795)	(13,289)
Profit for the year/period	10	396,831	435,480	114,372	63,689	68,709
Other comprehensive (expense) income						
Items that will not be reclassified subsequently to profit or loss:						
Currency translation differences		(23,432)	119,156	(33)	(23,301)	11,899
Remeasurement of defined benefit obligations	24	—	—	(63)	—	—
Items that may be reclassified subsequently to profit or loss:						
Change in fair value of available-for-sale financial assets	17	(437)	3,282	8,088	(242)	9,303
Deferred taxation on fair value change of available-for-sale financial assets	18	66	(492)	(1,213)	36	(1,395)
Other comprehensive (expense) income for the year/period		(23,803)	121,946	6,779	(23,507)	19,807
Total comprehensive income for the year/period		373,028	557,426	121,151	40,182	88,516

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period attributable to:					
Owners of Jinhao	197,678	232,498	42,365	22,722	31,937
Non-controlling interests	199,153	202,982	72,007	40,967	36,772
	396,831	435,480	114,372	63,689	68,709
Total comprehensive income for the year/period attributable to:					
Owners of Jinhao	174,761	305,406	46,713	9,396	43,862
Non-controlling interests	198,267	252,020	74,438	30,786	44,654
	373,028	557,426	121,151	40,182	88,516

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	13	1,238,119	1,748,993	2,172,472	2,247,902
Land use rights	14	190,919	191,457	274,562	273,618
Intangible assets	15	19,794	19,072	18,059	17,956
Deposits paid for acquisition of property, plant and equipment		137,435	87,704	128,239	110,305
Deposit paid for acquisition of a land use right		11,097	11,392	—	—
Interests in associates	16	93,200	122,447	141,775	142,256
Available-for-sale financial assets	17	231,362	240,794	248,902	258,872
Deferred tax assets	18	11,551	12,369	14,543	15,242
		1,933,477	2,434,228	2,998,552	3,066,151
Current assets					
Inventories	19	338,827	354,937	374,108	350,942
Trade receivables	20	147,862	125,781	132,087	170,731
Notes receivables	20	285,399	291,946	229,295	274,498
Other receivables, deposits and prepayments	20	40,950	80,516	66,391	76,517
Entrusted deposits	21	24,661	44,304	25,316	36,802
Restricted bank balances	22	—	—	—	6,345
Time deposits with maturity over three months	22	1,195,886	1,362,921	1,016,848	982,919
Cash and cash equivalents	22	965,722	828,465	826,713	798,885
		2,999,307	3,088,870	2,670,758	2,697,639
Total assets		4,932,784	5,523,098	5,669,310	5,763,790
EQUITY					
Owners of Jinhao					
Paid-in capital	23	1,233	1,233	1,233	1,233
Reserves		2,431,925	2,642,451	2,619,894	2,663,756
		2,433,158	2,643,684	2,621,127	2,664,989
Non-controlling interests		1,808,019	1,945,473	1,955,282	1,999,936
Total equity		4,241,177	4,589,157	4,576,409	4,664,925

		As at 31 December			As at 31 March
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Defined benefit obligations	24	39,767	34,937	33,848	33,934
Deferred income	25	118,301	125,597	126,819	111,707
Bank borrowings	26	65,732	154,412	115,425	95,598
Deferred tax liabilities	18	2,240	2,792	4,008	5,419
		226,040	317,738	280,100	246,658
Current liabilities					
Trade payables	27	68,787	54,934	59,214	70,272
Notes payables	27	—	—	—	17,446
Other payables and accruals	27	206,505	296,800	318,556	317,301
Amount due to Tianjin Pharmaceutical	28	43,204	49,247	241,100	243,170
Bank borrowings	26	82,316	143,374	125,443	129,979
Current tax liabilities		64,755	71,848	68,488	74,039
		465,567	616,203	812,801	852,207
Total liabilities		691,607	933,941	1,092,901	1,098,865
Total equity and liabilities		4,932,784	5,523,098	5,669,310	5,763,790
Net current assets		2,533,740	2,472,667	1,857,957	1,845,432
Total assets less current liabilities		4,467,217	4,906,895	4,856,509	4,911,583

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Owners of Jinhao								
	Paid-in capital HK$'000	Capital reserve HK$'000 (note a)	Translation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Other reserves HK$'000 (note b)	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	1,233	525,044	—	13,538	1,269,864	869,295	2,678,974	2,013,171	4,692,145
Acquisition of Central Pharmaceutical under common control *(Note 2)*	—	(316,425)	—	—	—	—	(316,425)	(299,667)	(616,092)
Profit for the year	—	—	—	—	—	197,678	197,678	199,153	396,831
Other comprehensive expense for the year	—	—	(22,676)	(241)	—	—	(22,917)	(886)	(23,803)
Total comprehensive (expense) income for the year	—	—	(22,676)	(241)	—	197,678	174,761	198,267	373,028
Dividends	—	—	—	—	—	(104,152)	(104,152)	(103,752)	(207,904)
Transfers	—	—	—	—	18,996	(18,996)	—	—	—
At 31 December 2012	1,233	208,619	(22,676)	13,297	1,288,860	943,825	2,433,158	1,808,019	4,241,177
Profit for the year	—	—	—	—	—	232,498	232,498	202,982	435,480
Other comprehensive income for the year	—	—	71,095	1,813	—	—	72,908	49,038	121,946
Total comprehensive income for the year	—	—	71,095	1,813	—	232,498	305,406	252,020	557,426
Capital reduction by non-controlling interests	—	—	—	—	—	—	—	(6,329)	(6,329)
Dividends	—	—	—	—	—	(94,880)	(94,880)	(108,237)	(203,117)
Transfers	—	—	—	—	646	(646)	—	—	—
At 31 December 2013	1,233	208,619	48,419	15,110	1,289,506	1,080,797	2,643,684	1,945,473	4,589,157
Profit for the year	—	—	—	—	—	42,365	42,365	72,007	114,372
Other comprehensive (expense) income for the year	—	—	(58)	4,469	(63)	—	4,348	2,431	6,779
Total comprehensive (expense) income for the year	—	—	(58)	4,469	(63)	42,365	46,713	74,438	121,151
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	1,551	1,551
Dividends	—	—	—	—	—	(70,968)	(70,968)	(67,788)	(138,756)
Transfers	—	—	—	—	1,698	—	1,698	1,608	3,306
At 31 December 2014	1,233	208,619	48,361	19,579	1,291,141	1,052,194	2,621,127	1,955,282	4,576,409
Profit for the period	—	—	—	—	—	31,937	31,937	36,772	68,709
Other comprehensive income for the period	—	—	6,785	5,140	—	—	11,925	7,882	19,807
Total comprehensive income for the period	—	—	6,785	5,140	—	31,937	43,862	44,654	88,516
At 31 March 2015	1,233	208,619	55,146	24,719	1,291,141	1,084,131	2,664,989	1,999,936	4,664,925

	Owners of Jinhao								
	Paid-in capital	**Capital reserve**	**Translation reserve**	**Available-for-sale financial assets revaluation reserve**	**Other reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000* *(note a)*	*HK$'000*	*HK$'000*	*HK$'000* *(note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014 (audited)	1,233	208,619	48,419	15,110	1,289,506	1,080,797	2,643,684	1,945,473	4,589,157
Profit for the period	—	—	—	—	—	22,722	22,722	40,967	63,689
Other comprehensive expense for the period	—	—	(13,192)	(134)	—	—	(13,326)	(10,181)	(23,507)
Total comprehensive (expense) income for the period	—	—	(13,192)	(134)	—	22,722	9,396	30,786	40,182
At 31 March 2014 (unaudited)	1,233	208,619	35,227	14,976	1,289,506	1,103,519	2,653,080	1,976,259	4,629,339

notes:

(a) Capital reserve mainly comprises (i) assets injected into Jinhao by owners of Jinhao in prior years and are accounted for as capital contributions to Jinhao; (ii) assets transferred to owners of Jinhao and accounted for as distributions by Jinhao; and (iii) amount arising from common control combination, representing the excess of consideration paid for the acquisition over the capital of entities acquired under common control. As Jinhao is a state-owned enterprise, the capital reserve can be transferred to paid-in capital upon the approval from the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") or reduced upon distribution of any sums to the SASAC.

(b) Other reserves mainly include statutory and other reserves, which are reserves required by the relevant PRC laws applicable to Jinhao Group's subsidiaries established in the PRC and cannot be used for distribution in the form of cash dividends, which amounted to HK$221,893,000, HK$222,539,000, HK$224,237,000 and HK$224,237,000 as at December 2012, 2013 and 2014 and 31 March 2015, respectively.

Other reserves also include differences between (i) the acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries; and (ii) the proceeds received and the adjustment to non-controlling interests in respect of partial disposal of subsidiaries, which amounted to HK$1,066,967,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	Three months ended 31 March 2014 HK$'000 (unaudited)	2015 HK$'000
Operating activities						
Cash generated from (used in) operations	32	500,578	583,704	280,099	(26,270)	43,681
Interest paid		(12,670)	(13,806)	(22,007)	(8,110)	(15,339)
PRC income tax paid		(87,649)	(87,148)	(41,603)	(22,766)	(8,646)
Net cash from (used in) operating activities		400,259	482,750	216,489	(57,146)	19,696
Investing activities						
Purchase of property, plant and equipment		(396,889)	(486,314)	(567,666)	(100,633)	(67,771)
Addition of entrusted deposits		(24,570)	(44,303)	(25,252)	—	(11,378)
Purchase of land use rights		(23,211)	—	(76,001)	(9,967)	—
Purchase of intangible assets		(3,686)	(50)	—	—	—
Decrease (increase) in time deposits with maturity over three months		145,399	(135,246)	345,199	512,836	36,371
Interest received		48,651	36,407	34,892	8,670	3,395
Dividends received from available-for-sale financial assets		7,330	22,603	2,070	—	—
Proceeds from disposal of property, plant and equipment		5,284	11,962	45,441	9,997	10,536
Proceeds from disposal of intangible assets		28	—	—	—	—
Proceeds from redemption of entrusted deposits		—	25,316	44,192	12,691	—
Contribution to associates		—	(29,939)	(16,835)	—	—
Addition of restricted bank balances		—	—	—	—	(6,345)
Net cash (used in) from investing activities		(241,664)	(599,564)	(213,960)	433,594	(35,192)

		Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Financing activities						
Acquisition of Central Pharmaceutical under common control	2	(616,092)	—	—	—	—
Dividend paid		(207,904)	(203,117)	(138,756)	—	—
Repayment of bank borrowings		(52,703)	(92,479)	(178,997)	(14,194)	(61,607)
Drawdown of bank borrowings		94,206	238,282	122,222	6,590	45,765
Advance from related parties		30,712	4,895	191,369	9,726	1,452
Net cash (used in) from financing activities		(751,781)	(52,419)	(4,162)	2,122	(14,390)
Net (decrease) increase in cash and cash equivalents		(593,186)	(169,233)	(1,633)	378,570	(29,886)
Effect of foreign exchange rate changes		(22,923)	31,976	(119)	(6,751)	2,058
Cash and cash equivalents at beginning of the year/period		1,581,831	965,722	828,465	828,465	826,713
Cash and cash equivalents at end of the year/period		965,722	828,465	826,713	1,200,284	798,885

NOTES TO THE FINANCIAL INFORMATION OF JINHAO GROUP

1. GENERAL INFORMATION

Jinhao was established as a company under the laws of the PRC with limited liability on 2 August 2011. Its immediate holding company is Best Season Holdings Limited, a company incorporated in Hong Kong. Its intermediate holding company is Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical") and its ultimate holding company is Tianjin Tsinlien Investment Holding Co., Ltd. (天津津聯投資控股有限公司) ("Tianjin Tsinlien"), both being state-owned enterprises established in the PRC and ultimately wholly owned by Tianjin Municipal People's Government of the PRC.

Jinhao is an investment holding company and Jinhao Group is principally engaged in the business of pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials.

The registered office of Jinhao is located at 天津經濟技術開發區西區南大街175號行政三樓307, 308 and 309.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

In 2012, Tianjin Pharmaceutical transferred its entire equity interests in Lisheng, Yiyao Printing and Research Institute to Jinhao at nil consideration. At the same time, Lisheng acquired the entire 100% equity interest in Central Pharmaceutical from Tianjin Pharmaceutical and its subsidiary for an aggregate cash consideration of RMB501,068,000 (equivalent to HK$616,092,000) (collectively known as "Business Combination").

The Business Combination was considered as business combinations under common control as the transfer of relevant subsidiaries was under the common control of Tianjin Pharmaceutical and ultimately owned by Tianjin Municipal People's Government of the PRC before and after the Business Combination.

Under HKFRSs, the Business Combination was accounted for using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. Accordingly, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2012 include the results, changes in equity and cash flows of the companies now comprising Jinhao Group have been prepared as if Jinhao has been the holding company of the companies now comprising Jinhao Group throughout the year ended 31 December 2012 and the current group structure had been in existence throughout the year ended 31 December 2012.

For the purpose of preparing and presenting the Financial Information of Jinhao Group for the Relevant Period, Jinhao Group has, throughout the Relevant Period, consistently adopted Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2015.

The Financial Information of Jinhao Group has been prepared in accordance with the following accounting policies which conform with the HKFRSs (which include all applicable HKFRSs, HKASs and Interpretations) issued by the HKICPA. In addition, the Financial Information of Jinhao Group includes applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance. The Financial Information of Jinhao Group has been prepared on the historical cost basis, except for available-for-sale financial assets, which are measured at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Jinhao Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information of Jinhao Group is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

New and revised HKFRSs in issue but not yet effective

Jinhao Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exceptions[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are more relevant to Jinhao Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Jinhao Group has already commenced an assessment of the impact of HKFRS 9 but is not yet in a position to conclude whether it would have a significant impact on its results of operations and financial position.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Jinhao Group has already commenced an assessment of the impact of HKFRS 15 but is not yet in a position to conclude whether it would have a significant impact on Jinhao Group's result of operations and financial position.

The directors of Jinhao anticipate that the application of the other new and revised HKFRSs will have no material impact on the Financial Information of Jinhao Group.

Significant accounting policies

The principal accounting policies are set out below.

(a) Group accounting

The Financial Information of Jinhao Group incorporates the financial statements of Jinhao and entities controlled by Jinhao and its subsidiaries made up to 31 December and 31 March, as appropriate.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Jinhao Group are eliminated in full on consolidation. Unrealised profits or losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the Financial Information of Jinhao Group to ensure consistency with the policies adopted by Jinhao Group.

(i) Merger accounting for common control combination

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

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

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

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year/period in which it is incurred.

(ii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Jinhao Group, liabilities incurred by Jinhao Group to the former owners of the acquiree and the equity interests issued by Jinhao Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by Jinhao Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

(iii) Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by Jinhao Group and control is achieved when Jinhao:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Jinhao Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Jinhao Group obtains control over the subsidiary and ceases when Jinhao Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Period are included in the Financial Information of Jinhao Group from the date Jinhao Group gains control until the date when Jinhao Group ceases to control the subsidiary.

When Jinhao Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if Jinhao Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(iv) Associates

An associate is an entity over which Jinhao Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information of Jinhao Group using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of Jinhao Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise Jinhao Group's share of the profit or loss and other comprehensive income of the associate. When Jinhao Group's share of losses of an associate exceeds Jinhao Group's interest in that associate (which includes any long-term interests that, in substance, form part of Jinhao Group's net investment in the associate), Jinhao Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that Jinhao Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over Jinhao Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of Jinhao Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to Jinhao Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of Jinhao Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in Jinhao Group's Financial information only to the extent of interests in the associate that are not related to Jinhao Group.

(v) Non-controlling interests

Non-controlling interests in subsidiaries are presented separately from Jinhao Group's equity therein.

Profit or loss and each item of other comprehensive income are attributed to the owners of Jinhao and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Jinhao and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Segment reporting

It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers who are responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-makers have been identified as the executive directors of Jinhao who make strategic decisions.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of Jinhao Group's entities are measured using Renminbi, which is the currency of the primary economic environment in which the entities operate (the "functional currency"). The Financial Information of Jinhao Group is presented in Hong Kong dollar. The functional currency of Jinhao is Renminbi.

The directors of Jinhao consider that presentation of the Financial Information of Jinhao Group in Hong Kong dollar will facilitate analysis of the Financial Information of Jinhao Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluated where items are unsecured. Foreign exchange gains and losses resulting from the settlement of such transaction and from the retranslation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of profit or loss and other comprehensive income.

Translation differences on non-monetary available-for-sale financial assets is included in equity.

(iii) 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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss 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
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is disposed of that resulted in loss of control, exchange differences that were recorded in equity are recognised in the consolidated statements of profit or loss as part of the gain or loss on disposal.

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 rates at the end of each reporting period.

(d) Property, plant and equipment

Buildings comprise mainly factories and office premises. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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 Jinhao 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 expenses are charged in the profit or loss during the financial period in which they are incurred.

No depreciation is provided for construction in progress until construction is completed and ready for intended use.

The assets' residual values, depreciation method 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

(e) Land use rights

When a lease includes both land and building elements, Jinhao Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Jinhao Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statements of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(f) Intangible assets

Intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

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

(g) Impairment losses on tangible and intangible assets

At the end of the reporting period, Jinhao Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Jinhao Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Financial assets

Jinhao Group's financial assets fall into the following two categories:

(i) Loans and receivables; and

(ii) Available-for-sale financial assets.

All regular purchases or sales of financial assets are recognised on trade date when Jinhao Group commits to purchase or sell the asset.

The classification depends on the purpose for which the financial assets were acquired. Management of Jinhao Group determines the classification of Jinhao Group's financial assets at initial recognition.

(i) 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 expected or actual maturities greater than twelve months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, loans and receivables (including trade receivables, notes receivables, other receivables, entrusted deposits, restricted bank balances, time deposits with maturity over three months and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

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

Interest income or expense is recognised on an effective interest basis for debt instruments.

(ii) 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 other categories. They are included in non-current assets unless management of Jinhao Group intends to dispose of the investment within twelve months of the end of the reporting period. They are measured at fair value at the end of each reporting period. Gains and losses arising from changes in the fair value are recognised in equity.

Change in the carrying amount of available-for-sale equity securities relating to dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to consolidated statements of profit or loss and other comprehensive income (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale financial assets are recognised in the consolidated statements of profit or loss and other comprehensive income as part of other income when Jinhao Group's right to receive payments is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Jinhao Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Jinhao Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Jinhao Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

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

On derecognition of a financial asset other than in its entirety, Jinhao Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(i) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Impairment losses on available-for-sale equity investments carried at fair value previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of production overheads calculated on a weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and selling expenses.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(l) Share capital

Paid-in capital is classified as equity. Equity instruments issued by Jinhao are recorded at the proceeds received, net of direct issue costs.

(m) 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 profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Jinhao Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(n) Trade payables, notes payables, other payables and amount due to Tianjin Pharmaceutical

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

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

(o) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the territories where Jinhao, its subsidiaries and associates, operate and generate taxable income. Management of Jinhao Group 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.

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 Financial Information of Jinhao Group. However, 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 substantially enacted by the end of the reporting period 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by Jinhao Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Jinhao Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(p) Retirement scheme obligations

Employees of Jinhao Group's subsidiaries in the PRC are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employee. Jinhao Group's obligation is to make the required contributions under the scheme. The scheme is a defined contribution plan. All these contributions are based on a certain percentage of the staff's salary and are recognised in profit or loss as incurred.

In addition, Jinhao Group provides supplementary pension benefits to certain retired employees, which are considered as defined benefit plans. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorised as follows:

- service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Jinhao Group presents the first two components of defined benefit costs in profit or loss as employee benefit expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statements of financial position represents the actual deficit or surplus in Jinhao Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when Jinhao Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(q) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of Jinhao Group's activities. Revenue is shown net of value-added tax, business tax, returns and discounts. Revenue and other income are recognised as follows:

(i) Sales of goods are recognised when goods are delivered and titles have passed to customers.

(ii) Revenue from provision of research and development services are recognised when services are rendered and it is probable that the economic benefits will flow to Jinhao Group.

(iii) Revenue from transfer of technical know-how to customers, whereby Jinhao Group provides the customers with the right to the technical know-how together with further research and development services subsequently required and associated with the technical know-how. Under such multiple element arrangement, the consideration of each element is determined based on the amounts for each element stated in the customer contracts, which approximate their relative fair values. Revenue in respect of the transfer of technical know-how is recognised when titles have been passed to customers and revenue in respect of the services to be rendered by Jinhao Group for the associated research and development services subsequently provided is recognised in accordance with the accounting policy mentioned in (ii) above.

(iv) Interest income is accrued on a time-proportion basis using the effective interest method.

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

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in profit or loss.

(s) 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. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(t) Dividends distribution

Dividends distribution is recognised as a liability in the period in which the dividends are approved by directors/shareholders, as appropriate.

(u) 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 Jinhao Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that 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 Financial Information of Jinhao Group. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(v) Government grants

Government grants are not recognised until there is reasonable assurance that Jinhao Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which Jinhao Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Jinhao Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(w) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Due to the inherent uncertainties surrounding research and development activities and the fact that intangible assets recognition criteria mentioned above are generally not met, the costs of Jinhao Group's research and development activities are recognised in profit or loss in the period when they are incurred. Given the significant amounts of common costs and inseparable efforts by the research staff, there may not be a reliable basis to allocate the costs to individual research and development projects. In such cases, when recognising the revenue from transfer of technical know-how and provision of research and development services by Jinhao Group, no corresponding costs are separately recognised as costs of sales or services in the same period as they are either inseparable from the research and development expenses or already recognised in profit or loss in prior periods.

3. FINANCIAL RISK MANAGEMENT AND CAPITAL RISK MANAGEMENT

Financial risk factors

Jinhao Group's activities expose them to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit and counterparty risk and liquidity risk. Jinhao Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Jinhao Group's financial performance by actively managing debt level and cash flow in order to maintain a strong financial position and minimising refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. Jinhao Group adheres to a policy of financial prudence and did not use any derivative financial instruments or structured financial products during the Relevant Period.

(a) Market risk

(i) Foreign exchange risk

The principal subsidiaries of Jinhao Group operate in the PRC with almost all of their transactions settled in Renminbi and did not have significant exposure to foreign exchange risk during the Relevant Period.

(ii) Price risk

Jinhao Group is exposed to equity securities price risk because Jinhao Group's investments in listed shares and unlisted equity securities are classified in the consolidated statements of financial position as available-for-sale financial assets specified in Note 17.

To manage its price risk arising from investments in equity instruments, Jinhao Group has assigned specific personnel to monitor the price risk. Jinhao Group's equity price risk is concentrated in equity securities operating in pharmaceutical industry sector quoted in the Shanghai Stock Exchange. If the prices of the respective equity securities had been 10% higher/lower, other comprehensive income for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 would increase/decrease by HK$1,248,000, HK$1,528,000, HK$2,136,000 and HK$2,842,000, respectively.

(iii) Interest rate risk

Other than the entrusted deposits and bank balances and time deposits specified in Notes 21 and 22, respectively, Jinhao Group has no other significant assets bearing interest.

Jinhao Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances.

Jinhao Group's entrusted deposits and time deposits carry fixed contractual interest rate and therefore expose Jinhao Group to fair value interest rate risk. Management of Jinhao Group believes that these fixed contractual rates instruments provide Jinhao Group with a steady income stream and are consistent with Jinhao Group's treasury management policy.

Jinhao Group's interest rate risk is arising from bank borrowings (the "Interest Bearing Liabilities") set out in Note 26. Borrowings issued at fixed rates expose Jinhao Group to fair value interest rate risk. Jinhao Group's policy is to maintain a balanced portfolio of borrowings subject to variable and fixed interest rates. Jinhao Group's cash flow interest rate risk is mainly concentrated on the fluctuation on the benchmark lending rate of the People's Bank of China arising from the Renminbi denominated bank balances and borrowings issued at variable rates. Jinhao Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing.

If interest rates had been 50 basis points higher/lower for borrowings at variable rates and with all other variables held constant, Jinhao Group's profit for the years ended 31 December 2012, 2013 and 2014 and for the three months ended 31 March 2015 would decrease/increase by HK$427,000, HK$282,000, HK$169,000 and HK$35,000, respectively.

If interest rates had been 50 basis points higher/lower for bank balances and deposits and with all other variables held constant, Jinhao Group's profit for the years ended 31 December 2012, 2013 and 2014 and for the three months ended 31 March 2015 would increase/decrease by HK$3,553,000, HK$2,561,000, HK$2,821,000 and HK$791,000, respectively.

Jinhao Group did not used any interest rate swaps to hedge its exposure to interest rate risk.

(b) Credit and counterparty risk

Credit and counterparty risk mainly arises from deposits maintained with banks, entrusted deposits placed in a financial institution, as well as credit exposures to related parties, customers (including outstanding trade receivables balance) and other debtors. Overall, the carrying amounts of these balances substantially represent Jinhao Group's maximum exposure to credit and counterparty risk as at the end of each reporting period.

A significant portion of Jinhao Group's bank deposits and entrusted deposits are placed with or arranged through state-owned banks/entities and other financial institutions in the PRC.

The directors of Jinhao consider that no impairment allowance is necessary in respect of bank deposits and entrusted deposits as there has not been a significant change in credit quality of the counterparties and the balances are considered to be fully recoverable.

Jinhao Group has policies in place to ensure that provision of services and sale of goods are made to customers with an appropriate credit history and Jinhao Group performs periodic credit evaluations of its customers. According to Jinhao Group's historical experience, the irrecoverable trade and other receivables do not exceed the recorded allowances and the directors of Jinhao are of the opinion that adequate provision for uncollectible accounts receivable has been made in the Financial Information of Jinhao Group.

(c) Liquidity risk

Jinhao Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash and having funding through an adequate amount of committed credit facilities. Jinhao Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management of Jinhao monitors rolling forecasts of Jinhao Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows.

As at 31 December 2012, 2013, 2014 and 31 March 2015, Jinhao Group had bank and cash balances of approximately HK\$2,162 million, HK\$2,191 million, HK\$1,844 million and HK\$1,788 million, respectively, and bank borrowings of approximately HK\$148 million, HK\$298 million, HK\$241 million and HK\$226 million, respectively.

The table below analyses Jinhao Group's financial liabilities that will be settled into relevant time bands based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which include principal and interest. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 3 to 5 years**	**Over 5 years**	**Total**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
At 31 December 2012					
Trade payables and other payables	150,092	—	—	—	150,092
Amount due to Tianjin Pharmaceutical	43,204	—	—	—	43,204
Bank borrowings	87,490	30,495	41,535	—	159,520
	280,786	30,495	41,535	—	352,816

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 3 to 5 years**	**Over 5 years**	**Total**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
At 31 December 2013					
Trade payables and other payables	151,247	—	—	—	151,247
Amount due to Tianjin Pharmaceutical	49,247	—	—	—	49,247
Bank borrowings	154,156	59,801	97,518	13,488	324,963
	354,650	59,801	97,518	13,488	525,457

	On demand or less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 31 December 2014					
Trade payables and other payables	103,776	—	—	—	103,776
Amount due to Tianjin Pharmaceutical	241,100	—	—	—	241,100
Bank borrowings	136,958	57,503	67,437	—	261,898
	481,834	57,503	67,437	—	606,774

	On demand or less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 31 March 2015					
Trade payables and other payables	140,797	—	—	—	140,797
Notes payables	17,446	—	—	—	17,446
Amount due to Tianjin Pharmaceutical	243,170	—	—	—	243,170
Bank borrowings	139,402	36,302	67,597	—	243,301
	540,815	36,302	67,597	—	644,714

The categories of financial instruments of Jinhao Group are as follows:

Categories of financial instruments

	At 31 December			At 31 March
	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	2,629,734	2,660,102	2,237,438	2,302,306
Available-for-sale financial assets	231,362	240,794	248,902	258,872
	2,861,096	2,900,896	2,486,340	2,561,178
Financial liabilities				
Amortised cost	341,344	498,280	585,744	626,990

Fair value measurements of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of Jinhao Group's financial assets that are measured at fair value on a recurring basis

Some of Jinhao Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2012	2013	2014	Fair value as at 31 March 2015	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*				
Available-for-sale financial assets — listed equity securities	16,643	20,368	28,476	37,887	Level 1	Quoted bid price in active markets	N/A	N/A

There were no transfers between level 1, 2 and 3 in the Relevant Period.

The directors of Jinhao consider that the carrying amounts of other short-term financial instruments that are recorded at amortised cost in the Financial Information of Jinhao Group approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the financial assets and financial liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair values of long-term bank borrowings are estimated using the expected future contractual payments discounted at current market interest rates available to similar financial instruments and approximate their carrying amounts.

Capital risk management

Jinhao Group's objectives when managing capital are to safeguard Jinhao Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholder to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity attributable to the owners of Jinhao as shown in the consolidated statements of financial position.

In order to maintain or adjust the capital structure, Jinhao Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Jinhao Group's policy was unchanged throughout the Relevant Period.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates 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 estimates and assumptions that have a significant risk of causing a material adjustment to the results and the carrying amounts of assets and liabilities of Jinhao Group are discussed below.

Key sources of estimation uncertainty

(a) Property, plant and equipment

Management of Jinhao Group determines the estimated useful lives and residual values for Jinhao Group's property, plant and equipment. Management of Jinhao Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write down technically obsolete or non-strategically assets that have been abandoned or disposed of.

The carrying amounts of property, plant and equipment as at 31 December 2012, 2013, 2014 and 31 March 2015 were HK$1,238,119,000, HK$1,748,993,000, HK$2,172,472,000 and HK$2,247,902,000, respectively.

(b) Impairment of intangible assets

Determining whether intangible assets (where there are indicators of impairment) are impaired requires an estimation of the value in use of the CGU to which intangible assets have been allocated. The value in use calculation requires Jinhao Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. The carrying amounts of intangible assets as at 31 December 2012, 2013, 2014 and 31 March, 2015 were HK$19,794,000, HK$19,072,000, HK$18,059,000 and HK$17,956,000, respectively.

(c) Impairment of trade receivables and notes receivables

The assessment of the impairment loss on trade receivables and notes receivables of Jinhao Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of Jinhao Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flows discounted at the original effective rate to calculate the present value. As at 31 December 2012, 2013, 2014 and 31 March 2015, the aggregate gross amounts of trade receivables and notes receivables were HK$455,198,000, HK$440,945,000, HK$381,108,000 and HK$465,088,000, net of accumulated impairment loss of HK$21,937,000, HK$23,218,000, HK$19,726,000 and HK$19,859,000, respectively.

(d) Allowance for inventories

Management of Jinhao Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. Management of Jinhao Group estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. Jinhao Group carries out an inventory review at the end of reporting period and makes allowance for inventories, as appropriate. If the market condition was to deteriorate, resulting to a lower net realisable value for inventories, additional allowance may be required. The carrying amounts of inventories as at 31 December 2012, 2013, 2014 and 31 March 2015 were HK$338,827,000, HK$354,937,000, HK$374,108,000 and HK$350,942,000, respectively.

(e) Fair value measurements and valuation processes

Some of Jinhao Group's assets are measured at fair value for financial reporting purposes. Management of Jinhao Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, Jinhao Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Jinhao Group engages third party qualified valuers to perform the valuation. Management of Jinhao Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Jinhao Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 3 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. REVENUE AND SEGMENT INFORMATION

An analysis of Jinhao Group's revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue from sale of chemical drugs	1,642,866	1,632,088	1,268,164	422,827	349,204
Revenue from sale of packaging products	119,103	135,344	113,443	34,221	35,180
Revenue from provision of research and development services	35,846	72,568	83,513	8,337	21,826
Revenue from transfer of technical know-how	11,548	13,185	10,781	2,408	4,887
Others	15,927	12,492	14,942	2,816	8,347
	1,825,290	1,865,677	1,490,843	470,609	419,444

Jinhao Group derives all its revenue from the pharmaceutical business in the PRC. The chief operating decision-maker monitors the revenue, results, assets and liabilities of the pharmaceutical business as a whole based on the monthly management accounts which are substantially in conformity with HKFRSs, and considers the assets and liabilities of the pharmaceutical business, which included all assets and liabilities as stated in the consolidated statements of financial position, and considers the revenue and results of the pharmaceutical business represented revenue and profit for the year/period as stated in the consolidated statements of profit or loss and other comprehensive income.

Based on the above, the management of Jinhao Group has determined that, on the basis of the information used by the chief operating decision-maker for the purposes of resources allocation and performance evaluation, the entire Jinhao Group is a single operating and reportable segment. The management of Jinhao Group considers that the cost to develop reports of revenues from external customers by product and service is excessive.

Furthermore, as all the non-current assets of Jinhao Group are physically located in the PRC and all revenue are derived from the PRC based on location of operation of the relevant group entities, no geographical information is presented.

There is no revenue from any single external customers that contributed over 10% of the total revenue of Jinhao Group throughout the Relevant Period.

6. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	48,651	36,407	34,892	8,670	3,395
Dividend income from unlisted available-for-sale financial assets	7,330	22,603	2,070	—	13,317
Government grants	13,998	17,549	17,470	2,839	2,308
Sundries	6,585	7,693	1,056	93	207
	76,564	84,252	55,488	11,602	19,227

7. OTHER (LOSSES) GAINS, NET

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net exchange (loss) gain	(42)	(110)	(21)	(12)	5
Net (loss) gain on disposal of property, plant and equipment	(462)	640	(125)	(107)	1
Impairment loss on property, plant and equipment	—	(963)	(593)	—	—
(Allowance) reversal of allowance for trade receivables	(1,155)	(699)	419	(92)	(83)
(Allowance) reversal of allowance for inventories	—	(1,754)	(4,430)	—	272
	(1,659)	(2,886)	(4,750)	(211)	195

8. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest expenses on bank borrowings					
— wholly repayable within five years	12,670	13,151	22,007	8,110	15,339
— not wholly repayable within five years	—	655	—	—	—
Less: Amounts capitalised in construction in progress (included in property, plant and equipment)	(8,738)	(9,618)	(11,903)	(5,621)	(13,739)
	3,932	4,188	10,104	2,489	1,600

Borrowing costs capitalised arose on the specific borrowings carrying interest at the following rates:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014 (unaudited)	2015
Interest rates	6.40%	6.40% to 6.55%	6.00% to 6.55%	6.00% to 6.55%	5.75% to 6.55%

9. TAX EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current taxation:					
PRC Enterprise Income Tax ("EIT")	97,482	94,378	40,998	21,012	13,949
Overprovision in prior years:					
PRC EIT	(73)	(1,859)	(2,747)	—	—
Deferred taxation *(Note 18)*	(50)	(510)	(2,169)	(217)	(660)
	97,359	92,009	36,082	20,795	13,289

Throughout the Relevant Period:

(i) Most of Jinhao Group's PRC subsidiaries are subject to a preferential EIT rate of 15% as they are qualified as High and New Technology Enterprises.

(ii) No provision for Hong Kong Profits Tax has been made as there was no estimated assessable profit arising in or derived from Hong Kong.

The tax expense can be reconciled to profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	494,190	527,489	150,454	84,484	81,998
Tax at PRC preferential EIT rate of 15%	74,129	79,123	22,568	12,673	12,299
Income not subject to taxation	(5,887)	(8,648)	(6,438)	(1,068)	(2,809)
Expenses not deductible for taxation purposes	27,611	21,273	17,672	6,337	1,823
Overprovision in prior years	(73)	(1,859)	(2,747)	—	—
Tax losses not recognised	1,579	2,120	5,027	2,853	1,976
Tax expense	97,359	92,009	36,082	20,795	13,289

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period is arrived at after charging:					
Employee's benefit expense (including directors' emoluments) included in:					
— Cost of sales	99,744	95,853	100,415	25,401	26,762
— Selling and distribution expenses	72,909	78,123	69,376	17,119	17,209
— General and administrative expenses	160,414	170,056	193,579	42,049	46,785
— Research and development expenses	30,222	35,555	31,586	7,094	6,146
	363,289	379,587	394,956	91,663	96,902
Cost of inventories recognised as an expense	710,089	670,602	637,419	184,913	187,455
Depreciation of property, plant and equipment	58,157	59,068	70,568	16,760	19,514
Amortisation of land use rights	4,211	4,538	4,526	1,101	1,635
Amortisation of intangible assets	1,337	1,298	1,012	255	149
Operating lease expenses on rented premises	646	1,042	1,492	371	142
Auditor's remuneration	577	800	985	8	4
Advertising and promotion expenses included in selling and distribution expenses	90,664	76,956	107,409	33,027	11,885
Consumable expenses included in research and development expenses	21,132	27,402	27,583	4,629	6,706

11. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Dividends recognised as distributions during the year/period					
— Jinhao or its subsidiaries	207,904	203,117	138,756	—	—

12. EARNINGS PER SHARE

Earnings per share is not presented as it is not considered meaningful having regard to the purpose of this Financial Information of Jinhao Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements, furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2012	475,520	406,517	36,811	33,809	319,488	1,779	1,273,924
Exchange differences	101	84	32	(8)	1,265	—	1,474
Additions	223	27,217	9,832	3,297	376,406	17	416,992
Transfers	28,466	3,207	523	1,168	(33,364)	—	—
Disposals	(1,503)	(7,814)	(1,673)	(6,738)	(1,136)	—	(18,864)
At 31 December 2012	502,807	429,211	45,525	31,528	662,659	1,796	1,673,526
Exchange differences	13,366	11,409	1,210	838	17,615	48	44,486
Additions	3,531	26,965	5,340	2,154	510,871	455	549,316
Transfers	27,995	25,548	266	54	(53,863)	—	—
Disposals	(5,689)	(23,988)	(847)	(943)	(2,889)	—	(34,356)
At 31 December 2013	542,010	469,145	51,494	33,631	1,134,393	2,299	2,232,972
Exchange differences	490	206	9	5	524	7	1,241
Additions	1,935	26,740	3,436	902	503,277	2,846	539,136
Transfers	218,277	67,946	636	—	(286,859)	—	—
Disposals	(26,476)	(13,478)	(349)	(850)	(9,323)	—	(50,476)
At 31 December 2014	736,236	550,559	55,226	33,688	1,342,012	5,152	2,722,873
Exchange differences	1,849	1,394	142	87	3,733	13	7,218
Additions	6,628	5,214	547	96	87,162	53	99,700
Transfers	—	705	2	226	(933)	—	—
Disposals	(11,706)	(6,858)	(13)	—	(479)	—	(19,056)
At 31 March 2015	733,007	551,014	55,904	34,097	1,431,495	5,218	2,810,735
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	123,386	233,753	14,779	17,430	—	854	390,202
Exchange differences	55	86	34	(10)	—	1	166
Charge for the year	15,659	30,145	9,276	2,972	—	105	58,157
Disposals	(664)	(6,766)	(112)	(5,576)	—	—	(13,118)
At 31 December 2012	138,436	257,218	23,977	14,816	—	960	435,407
Exchange differences	3,680	6,837	637	394	—	27	11,575
Charge for the year	15,237	30,539	10,025	3,142	—	125	59,068
Impairment loss recognised in profit or loss	—	963	—	—	—	—	963
Disposals	(82)	(21,274)	(735)	(943)	—	—	(23,034)
At 31 December 2013	157,271	274,283	33,904	17,409	—	1,112	483,979
Exchange differences	60	81	22	4	—	4	171
Charge for the year	24,155	34,938	8,879	2,340	—	256	70,568
Impairment loss recognised in profit or loss	—	593	—	—	—	—	593
Disposals	(373)	(3,359)	(337)	(841)	—	—	(4,910)
At 31 December 2014	181,113	306,536	42,468	18,912	—	1,372	550,401
Exchange differences	477	788	119	51	—	4	1,439
Charge for the period	7,400	8,256	2,926	812	—	120	19,514
Disposals	(2,849)	(5,660)	(12)	—	—	—	(8,521)
At 31 March 2015	186,141	309,920	45,501	19,775	—	1,496	562,833
CARRYING VALUES							
At 31 December 2012	364,371	171,993	21,548	16,712	662,659	836	1,238,119
At 31 December 2013	384,739	194,862	17,590	16,222	1,134,393	1,187	1,748,993
At 31 December 2014	555,123	244,023	12,758	14,776	1,342,012	3,780	2,172,472
At 31 March 2015	546,866	241,094	10,403	14,322	1,431,495	3,722	2,247,902

Depreciation of property, plant and equipment, other than construction in progress, is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	35 years
Plant and machinery	5–20 years
Leasehold improvements, furniture and equipment	3–10 years
Motor vehicles	8–12 years
Others	5–10 years

14. LAND USE RIGHTS

Jinhao Group's interests in land use rights represent prepaid operating lease payments related to leases of 50 years in the PRC.

Land use rights with carrying amounts of approximately HK$32 million, HK$33 million, HK$32 million and HK$32 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively, have been pledged to secure banking borrowings drawn by Jinhao Group.

Jinhao Group had not obtained land ownership certificates for leasehold land located in Tianjin with carrying values of HK$87,207,000 and HK$87,866,000 as at 31 December 2014 and 31 March 2015, respectively. In the opinion of the directors of Jinhao, the absence of formal title to these land interests does not impair their carrying value and the probability of being evicted on the ground of an absence of formal title is remote.

15. INTANGIBLE ASSETS

	Patents	Technical know-how	Total
	HK$'000	*HK$'000*	*HK$'000*
	(note a)	*(note b)*	
COST			
At 1 January 2012	15,470	9,864	25,334
Additions	—	3,686	3,686
Disposals	(37)	—	(37)
Exchange differences	—	14	14
At 31 December 2012	15,433	13,564	28,997
Additions	50	—	50
Exchange differences	410	361	771
At 31 December 2013 and 31 December 2014	15,893	13,925	29,818
Exchange differences	40	35	75
At 31 March 2015	15,933	13,960	29,893
AMORTISATION			
At 1 January 2012	7,870	—	7,870
Charge for the year	1,337	—	1,337
Disposals	(9)	—	(9)
Exchange differences	5	—	5
At 31 December 2012	9,203	—	9,203
Charge for the year	1,298	—	1,298
Exchange differences	245	—	245
At 31 December 2013	10,746	—	10,746
Charge for the year	1,012	—	1,012
Exchange differences	1	—	1
At 31 December 2014	11,759	—	11,759
Charge for the period	149	—	149
Exchange differences	29	—	29
At 31 March 2015	11,937	—	11,937
CARRYING VALUES			
At 31 December 2012	6,230	13,564	19,794
At 31 December 2013	5,147	13,925	19,072
At 31 December 2014	4,134	13,925	18,059
At 31 March 2015	3,996	13,960	17,956

notes:

(a) Patents acquired by Jinhao Group are considered by the management of Jinhao Group as having useful lives of 10 years.

(b) Technical know-how represents medical licence and technical know-how acquired separately and will be amortised over their expected useful lives.

16. INTERESTS IN ASSOCIATES

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Jinhao Group's interests in associates				
Unlisted investments in the PRC				
— 天津田邊製藥	45,075	56,249	61,507	62,469
— 天津世紀天龍	25,862	26,155	23,211	23,073
— 廣州市力鑫醫藥	—	18,995	35,910	36,015
Others	22,263	21,048	21,147	20,699
	93,200	122,447	141,775	142,256

Details of principal associates which in the opinion of the directors of Jinhao materially affect the results and/or net assets of Jinhao Group are set out in Note 35.

Summarised financial information of material associates

Summarised financial information in respect of Jinhao Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in the Financial Information of Jinhao Group.

天津田邊製藥

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	113,378	209,245	240,416	235,640
Non-current assets	67,309	121,135	147,538	160,048
Current liabilities	(35,990)	(48,282)	(62,787)	(66,314)
Non-current liabilities	(9,457)	(53,907)	(75,644)	(75,950)

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	239,269	279,551	303,540	92,111
Profit and total comprehensive income for the year/period	166	11,156	22,056	3,181
Dividends received from the associate during the year/period	—	—	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in 天津田邊製藥 recognised in the Financial Information of Jinhao Group:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity attributable to owners of the associate	135,240	228,191	249,523	253,424
Proportion of Jinhao Group's ownership interest in the associate and carrying amount of Jinhao Group's interest in the associate	45,075	56,249	61,507	62,469

Jinhao indirectly held 33.33%, 24.65%, 24.65% and 24.65% equity interest of 天津田邊製藥 through Lisheng as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

天津世紀天龍

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	23,376	24,554	62,283	65,593
Non-current assets	187,035	260,332	298,179	311,688
Current liabilities	(86,255)	(145,395)	(236,671)	(254,224)
Non-current liabilities	—	—	—	—

	Year ended 31 December 2012	2013	2014	Three months ended 31 March 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	—	1,350	3,340	4,998
Profit (loss) and total comprehensive income (expense) for the year/period	1,640	(25,940)	(16,773)	1,047
Dividends received from the associate during the year/period	—	—	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in 天津世紀天龍 recognised in the Financial Information of Jinhao Group:

	At 31 December 2012	2013	2014	At 31 March 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity attributable to owners of the associate	124,156	139,491	123,791	123,057
Proportion of Jinhao Group's ownership interest in the associate and carrying amount of Jinhao Group's interest in the associate	25,862	26,155	23,211	23,073

廣州市力鑫醫藥

	At 31 December 2012	2013	2014	At 31 March 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	N/A	59,475	174,779	187,765
Non-current assets	N/A	82,194	128,938	127,957
Current liabilities	N/A	(65,689)	(160,077)	(171,662)
Non-current liabilities	N/A	—	—	—

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	N/A	160,234	255,877	47,273
Profit and total comprehensive income for the year/period	N/A	30	181	58
Dividends received from the associate during the year/period	N/A	—	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in 廣州市力鑫醫藥 recognised in the Financial Information of Jinhao Group:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity attributable to owners of the associate	N/A	75,980	143,640	144,060
Proportion of Jinhao Group's ownership interest in the associate and carrying amount of Jinhao Group's interest in the associate	N/A	18,995	35,910	36,015

Aggregate information of associates that are not individually material:

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Jinhao Group's share of profit (loss)	165	(1,806)	98	(500)
Jinhao Group's share of total comprehensive income (expense)	165	(1,806)	98	(500)
Aggregate carrying amount Jinhao Group's interests in these associates	22,263	21,048	21,147	20,699

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		At 31 December			At 31 March
		2012	2013	2014	2015
	notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities					
Listed, at market value	(a)	16,643	20,368	28,476	37,887
Unlisted	(b)	214,719	220,426	220,426	220,985
		231,362	240,794	248,902	258,872

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	17,082	16,643	20,368	28,476
Exchange differences	(2)	443	20	108
Change in fair value	(437)	3,282	8,088	9,303
At the end of the year/period	16,643	20,368	28,476	37,887

notes:

(a) The PRC listed equity securities are stated at fair values, which are determined by reference to bid price quoted in active markets.

(b) The unlisted available-for-sale financial assets are principally equity investments in certain entities established and operated in the PRC. They are denominated in Renminbi and carried at cost because the range of reasonable fair value estimates is so significant that the directors of Jinhao are of the opinion that their fair values cannot be measured reliably.

18. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Period:

	Provision for impairment *HK$'000*	Unrealised profits on inventories *HK$'000*	Deferred income *HK$'000*	Fair value adjustment on available-for-sale financial assets *HK$'000*	Total *HK$'000*
At 1 January 2012	3,584	1,113	6,804	(2,306)	9,195
Deferred tax (charged) credited to profit or loss	(74)	439	(315)	—	50
Deferred tax credited to other comprehensive income	—	—	—	66	66
At 31 December 2012	3,510	1,552	6,489	(2,240)	9,311
Deferred tax credited to profit or loss	305	46	159	—	510
Deferred tax charged to other comprehensive income	—	—	—	(492)	(492)
Exchange differences	93	41	174	(60)	248
At 31 December 2013	3,908	1,639	6,822	(2,792)	9,577
Deferred tax credited (charged) to profit or loss	188	2,270	(289)	—	2,169
Deferred tax charged to other comprehensive income	—	—	—	(1,213)	(1,213)
Exchange differences	—	6	(1)	(3)	2
At 31 December 2014	4,096	3,915	6,532	(4,008)	10,535
Deferred tax (charged) credited to profit or loss	(344)	710	294	—	660
Deferred tax charged to other comprehensive income	—	—	—	(1,395)	(1,395)
Exchange differences	10	12	17	(16)	23
At 31 March 2015	3,762	4,637	6,843	(5,419)	9,823

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	11,551	12,369	14,543	15,242
Deferred tax liabilities	(2,240)	(2,792)	(4,008)	(5,419)
	9,311	9,577	10,535	9,823

19. INVENTORIES

	At 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	At 31 March 2015 HK$'000
Raw materials	122,151	123,078	120,371	104,560
Work in progress	119,560	103,602	78,585	88,205
Finished goods	92,633	124,449	171,332	154,178
Consumable stocks	4,483	3,808	3,820	3,999
	338,827	354,937	374,108	350,942

20. TRADE RECEIVABLES, NOTES RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	notes	At 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	At 31 March 2015 HK$'000
Trade receivables					
Fully performing	(a)	144,024	121,684	122,397	167,331
Past due but not impaired	(b)	3,838	4,097	9,690	3,400
Impaired	(c)	21,937	23,218	19,726	19,859
Trade receivables — gross		169,799	148,999	151,813	190,590
Less: allowance for impairment	(c)	(21,937)	(23,218)	(19,726)	(19,859)
Trade receivables — net	(d)	147,862	125,781	132,087	170,731
Notes receivables		285,399	291,946	229,295	274,498
	(e)	433,261	417,727	361,382	445,229
Other receivables, deposits and prepayments					
Deposits for purchase of raw materials		18,162	21,465	14,030	9,436
Other deposits		2,966	10,878	4,051	7,189
Other taxes recoverable		8,707	22,728	33,806	24,919
Others		11,115	25,445	14,504	34,973
		40,950	80,516	66,391	76,517

notes:

(a) Jinhao Group has a credit policy which is dependent on the practice of the market and the business in which it operates. In general, credit periods of 30 to 180 days are granted to customers. Receivables classified as fully performing are trade receivables with no history of default payment. The notes receivables have a general maturity period of 90 to 180 days.

(b) Trade receivables that were past due but not impaired are related to a wide range of customers, and management of Jinhao Group believes that no impairment or provision is necessary as there has not been a significant change in the credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	—	—	—	—
91 to 180 days	—	—	6,310	—
181 to 365 days	—	—	—	—
Over 365 days	3,838	4,097	3,380	3,400
	3,838	4,097	9,690	3,400

(c) As at 31 December 2012, 2013 and 2014 and 31 March 2015, trade receivables of HK$21,937,000, HK$23,218,000, HK$19,726,000 and HK$19,859,000, respectively, were impaired. The age and settlement track record of individual receivables were considered in the review of their impairment.

Movements on the allowance of trade receivables are as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	21,048	21,937	23,218	19,726
Exchange differences	5	582	(9)	50
Allowance made	3,589	762	1,634	252
Reversal of allowance	(2,434)	(63)	(2,053)	(169)
Written off as uncollectible	(271)	—	(3,064)	—
At the end of the year/period	21,937	23,218	19,726	19,859

The creation and release of provision for impaired receivables are included in other (losses) gains in the consolidated statements of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash, with reference to past default experience of the counterparty and analysis of the counterparty's current financial position.

(d) The amounts as at 31 December 2012, 2013 and 2014 and 31 March 2015 included amounts due from fellow subsidiaries of HK$17,322,000, HK$17,161,000, HK$11,197,000 and HK$22,133,000, respectively.

(e) The ageing analysis of Jinhao Group's trade and notes receivables (net of allowance) by age, presented based on the invoice date, is as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	246,530	234,883	208,316	303,711
91 to 180 days	169,597	163,993	140,139	132,733
181 to 365 days	11,888	10,778	8,101	4,301
Over 1 year	5,246	8,073	4,826	4,484
	433,261	417,727	361,382	445,229

(f) The carrying amounts of trade receivables, notes receivables and other receivables approximate their fair value and are mainly denominated in Renminbi. Jinhao Group has no significant concentration of credit risk in relation to these receivables and does not hold any collateral as security.

21. ENTRUSTED DEPOSITS

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the entrusted deposits were placed with a financial institution in the PRC with maturity less than 12 months after the end of the reporting period. The deposits carried fixed rates of return ranging from 5.15% to 6.80%, 5.15% to 5.90%, 5.40% to 5.70% and 5.40% to 5.75% per annum, respectively.

22. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES, TIME DEPOSITS WITH MATURITY OVER THREE MONTHS

The bank balances of Jinhao Group carry interest at market rates and are analysed as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	854,097	613,414	677,407	760,656
Time deposits in banks with maturity less than three months	111,625	215,051	149,306	38,229
Cash and cash equivalents	965,722	828,465	826,713	798,885
Time deposits in banks with maturity over three months	1,195,886	1,362,921	1,016,848	982,919
Restricted bank balances	—	—	—	6,345
	2,161,608	2,191,386	1,843,561	1,788,149

The carrying amounts of cash and cash equivalents, restricted bank balances and time deposits with maturity over three months approximate their fair values and are mainly denominated in Renminbi.

The effective interest rates on cash at banks and time deposits in banks are as follows:

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
Effective interest rates	0.35% to 5.10%	0.35% to 5.10%	0.35% to 5.10%	0.35% to 5.40%

23. PAID-IN CAPITAL

The registered and paid-in capital of Jinhao was RMB1,000,000 (equivalent to HK$1,233,000) as at 1 January 2012, 31 December 2012, 2013 and 2014 and 31 March 2015.

24. DEFINED BENEFIT OBLIGATIONS

Jinhao Group provides supplementary pension benefits to certain retired employees, which are accounted for as defined benefit plans.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2014. The present value of the defined benefit obligations, the related current service cost and past service cost, are measured using the projected unit credit method.

Significant actuarial assumptions for the determination of the defined obligations are discount rate and mortality.

Jinhao Group expects to make a payment of HK$2,653,000 to the entitled employees during the year ending 31 December 2015.

25. DEFERRED INCOME

Government grants were received in advance from the relevant government authorities for the purpose of supporting the research and development activities on certain new pharmaceutical products.

The amount of deferred income will be recognised in the same period as the related research and development activities are carried out and expenses are incurred or will be deducted from the carrying amount of the depreciable assets when the relevant assets for research and development activities are acquired.

26. BANK BORROWINGS

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Bank borrowings				
— Secured	33,292	34,177	—	—
— Unsecured	32,440	120,235	115,425	95,598
	65,732	154,412	115,425	95,598
Current				
Bank borrowings				
— Secured	—	—	34,177	33,825
— Unsecured	82,316	143,374	91,266	96,154
	82,316	143,374	125,443	129,979
Total borrowings	148,048	297,786	240,868	225,577

notes:

(a) The maturity of bank borrowings is as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:				
Within one year	82,316	143,374	125,443	129,979
In the second year	26,293	52,308	52,134	32,146
More than two years but not more than five years	39,439	89,445	63,291	63,452
Over five years	—	12,659	—	—
	148,048	297,786	240,868	225,577

(b) The effective interest rates of bank borrowings at the end of the reporting period are as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
Bank borrowings	6.96%	6.59%	6.71%	6.44%

(c) The carrying amounts of bank borrowings are denominated in Renminbi and approximate their fair values.

27. TRADE PAYABLES, NOTES PAYABLES, OTHER PAYABLES AND ACCRUALS

The ageing analysis of Jinhao Group's trade and notes payables, based on invoice date, is as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	56,240	42,862	48,764	77,128
91 to 180 days	1,830	—	1,174	5,545
181 to 365 days	806	9,388	5,835	1,726
Over 365 days	9,911	2,684	3,441	3,319
	68,787	54,934	59,214	87,718

The carrying amounts of trade and notes payables approximate their fair value and are mainly denominated in Renminbi.

The other payables and accruals mainly consist of receipts in advance, value added tax payable, payables for acquisition of property, plant and equipment and employee benefits payables.

28. AMOUNT DUE TO TIANJIN PHARMACEUTICAL

The balance is non-trade in nature, denominated in Renminbi and is unsecured, interest-free and no fixed repayment term.

29. OPERATING LEASES

Jinhao Group as Lessee

During the Relevant Period, Jinhao Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of leased properties are as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1	10	—	—
In the second to fifth year, inclusive	10	—	—	—
	11	10	—	—

Operating lease payments represent rentals payable by Jinhao Group for certain of their office premises. Leases are negotiated for an average term of one to two years and rentals are fixed at the date of signing of lease agreements.

30. PLEDGE OF ASSETS

Jinhao Group's credit facilities were secured by its assets as follows:

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Restricted bank balances	—	—	—	6,345
Land use rights	32,429	32,581	31,872	31,775

31. CAPITAL COMMITMENTS

	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for in respect of acquisition of property, plant and equipment	1,194,745	873,684	400,542	315,350

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of profit before tax to cash generated from (used in) operations:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	494,190	527,489	150,454	84,484	81,998
Adjustments for:					
Net loss (gain) on disposal of property, plant and equipment	462	(640)	125	107	(1)
Finance costs	3,932	4,188	10,104	2,489	1,600
Interest income	(48,651)	(36,407)	(34,892)	(8,670)	(3,395)
Dividend income from available-for-sale financial assets	(7,330)	(22,603)	(2,070)	—	(13,317)
Depreciation of property, plant and equipment	58,157	59,068	70,568	16,760	19,514
Share of results of associates	(491)	3,169	(2,444)	1,335	(120)
Amortisation of land use rights	4,211	4,538	4,526	1,101	1,635
Amortisation of intangible assets	1,337	1,298	1,012	255	149
Net exchange loss (gain)	42	110	21	12	(5)
Allowance (reversal of allowance) for inventories	—	1,754	4,430	—	(272)
Allowance (reversal of allowance) for trade receivables	1,155	699	(419)	92	83
Impairment loss on property, plant and equipment	—	963	593	—	—
Changes in working capital:					
Inventories	(5,349)	(8,857)	(23,553)	17,907	24,296
Trade receivables	(30,655)	25,313	(5,871)	(65,566)	(38,246)
Notes receivables	(88,709)	1,040	62,493	(71,691)	(44,452)
Other receivables, deposits and prepayments	83,392	(38,477)	14,125	(25,869)	3,398
Trade payables	(1,903)	(15,682)	4,269	6,570	10,866
Notes payables	—	—	—	—	17,380
Other payables and accruals	40,449	78,477	26,558	(68,803)	(2,055)
Defined benefit obligations	(2,840)	(5,887)	(1,149)	(1,870)	—
Deferred income	(821)	4,151	1,219	85,087	(15,375)
Cash generated from (used in) operations	500,578	583,704	280,099	(26,270)	43,681

33. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Transactions

During the Relevant Period, Jinhao Group entered into the following significant transactions with related companies:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Purchases of goods	31,065	27,771	37,888	11,445	5,665
Sales of goods	283,063	270,537	265,606	49,275	69,279
	314,128	298,308	303,494	60,720	74,944

note: The related companies are entities controlled by Tianjin Pharmaceutical.

During the years ended 31 December 2012 and 2013, Tianjin Pharmaceutical had provided corporate guarantees to banks in respect of Jinhao Group's bank borrowings. The carrying amounts of the bank borrowings were HK$9,741,000 as at 31 December 2012 and such bank borrowings were repaid during the year ended 31 December 2013.

(b) Balances

Details of balances with related parties are set out in Notes 20 and 28.

(c) Compensation of key management personnel

The remuneration of Jinhao's directors and other members of key management personnel during the Relevant Period is as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other emoluments	11,879	12,461	10,983	1,455	1,550

The remuneration of Jinhao's directors and key executives is determined with reference to the performance of individuals and market trends.

(d) Transactions/balances with other enterprises controlled, jointly controlled or significantly influenced by the PRC government

Tianjin Tsinlien is a state-owned enterprise and ultimately controlled by the Tianjin Municipal People's Government of the PRC. In accordance with HKAS 24 (Revised) "Related Party Disclosures", entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Jinhao Group. On that basis, related parties include Tianjin Tsinlien and other state-owned enterprises and entities directly or indirectly controlled, jointly controlled or significantly influenced by them, and other entities and corporations in which Jinhao is able to exercise joint control or significant influence. During the Relevant Period, the price and other terms of the transactions with these entities are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

34. PRINCIPAL SUBSIDIARIES

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of Jinhao Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Profit allocated to non-controlling interests: Year ended 31 December 2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	Three months ended 31 March 2015 *HK$'000*	Accumulated non-controlling interests: At 31 December 2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	At 31 March 2015 *HK$'000*
Lisheng	The PRC	183,231	180,396	57,048	35,347	1,680,704	1,800,262	1,791,667	1,831,664
Individually immaterial subsidiaries with non-controlling interests						127,315	145,211	163,615	168,272
						1,808,019	1,945,473	1,955,282	1,999,936

The proportion of ownership interests and voting rights held by non-controlling interests of Lisheng was 48.64% as at 31 December 2012, 2013 and 2014 and 31 March 2015.

Summarised financial information in respect of Lisheng and its subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Lisheng and its subsidiaries

	At 31 December 2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	At 31 March 2015 *HK$'000*
Current assets	2,361,640	2,417,226	1,968,491	1,958,951
Non-current assets	1,249,518	1,671,282	2,124,371	2,183,027
Current liabilities	(165,220)	(264,521)	(313,372)	(261,985)
Non-current liabilities	(9,913)	(122,862)	(96,041)	(114,303)
Equity attributable to owners of Jinhao Group	1,755,321	1,900,863	1,891,782	1,934,026
Non-controlling interests	1,680,704	1,800,262	1,791,667	1,831,664

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Revenue	1,372,319	1,322,023	976,923	293,479
Share of profit of associates	147	1,751	5,338	864
Profit for the year/period	370,692	370,877	117,281	72,680
Other comprehensive income for the year/period	—	6,416	—	—
Total comprehensive income for the year/period	370,692	377,293	117,281	72,680
Profit for the year/period attributable to non-controlling interests	183,231	180,396	57,048	35,347
Dividends in respect of the prior year paid to non-controlling interests during the year/period	(98,122)	(89,869)	(67,232)	—
Net cash from operating activities	309,153	366,602	91,442	92,898
Net cash used in investing activities	(252,579)	(325,331)	(350,785)	(121,477)
Net cash used in financing activities	(813,411)	(32,359)	(171,377)	(12,978)
Net cash (outflow) inflow	(756,837)	8,912	(430,720)	(41,557)

35. PRINCIPAL ASSOCIATES

			Attributable to Jinhao Group			
		Registered capital/issued and paid up	At 31 December			At 31 March
Name	**Principal activities**	**capital**	**2012**	**2013**	**2014**	**2015**
			%	%	%	%
Established and operating in the PRC:						
天津田邊製藥 *(note)*	Manufacture and sale of chemical drugs	RMB110,533,424	17.12	12.66	12.66	12.66
天津世紀天龍 *(note)*	Manufacture and sale of chemical drugs	RMB90,670,000	20.83	18.75	18.75	18.75
廣州市力鑫醫藥	Research and development of new medicine technology and new products	RMB200,000,000	—	25	25	25

note: Jinhao Group is able to exercise significant influence over 天津田邊製藥 and 天津世紀天龍 through Jinhao Group's ability to appoint a board representative.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Jinhao, any of its subsidiaries or Jinhao Group have been prepared in respect of any period subsequent to 31 March 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of Preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "Unaudited Pro Forma Consolidated Statement of Financial Position") which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisition of 67% of the issued share capital in Thrive Leap Limited (the "Acquisition") as if the Acquisition had been completed on 31 December 2014.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2014 which has been extracted from the published annual report of the Company for the year ended 31 December 2014; and (ii) the audited consolidated statement of financial position of Thrive Leap Group as at 31 March 2015 as extracted from the accountants' report set out in Appendix II to this circular, after making unaudited pro forma adjustments relating to the Acquisition that are (i) directly attributable; and (ii) factually supportable as if the Acquisition had been undertaken as at 31 December 2014.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Consolidated Statement of Financial Position does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 31 December 2014, nor purport to predict the future financial position of the Enlarged Group.

(II) Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group as at 31 December 2014	Thrive Leap Group as at 31 March 2015	Sub-total	Unaudited pro forma adjustments		Unaudited pro forma adjusted total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			*Notes*	
ASSETS						
Non-current assets						
Property, plant and equipment	2,556,082	2,247,902	4,803,984	—		4,803,984
Land use rights	237,995	273,618	511,613	—		511,613
Deposit paid for acquisition of property plant and equipment	—	110,305	110,305	—		110,305
Investment properties	176,185	—	176,185	—		176,185
Interests in associates	4,792,246	142,256	4,934,502	—		4,934,502
Interests in joint ventures	70,778	—	70,778	—		70,778
Intangible assets	253,471	17,956	271,427	—		271,427
Deferred tax assets	87,631	15,242	102,873	—		102,873
Available-for-sale investments	221,401	258,872	480,273	—		480,273
Goodwill	111,764	—	111,764	—		111,764
	8,507,553	3,066,151	11,573,704	—		11,573,704
Current assets						
Inventories	148,986	350,942	499,928	—		499,928
Amounts due from joint ventures	14,027	—	14,027	—		14,027
Amount due from immediate holding company	—	78	78	(78)	(3)	—
Amount due from ultimate holding company	756	—	756	—		756
Amounts due from related companies	44,937	—	44,937	78	(3)	45,015
Amounts due from customers for contract work	805,383	—	805,383	—		805,383
Trade receivables	702,227	170,731	872,958	—		872,958
Notes receivables	80,115	274,498	354,613	—		354,613
Other receivables, deposits and prepayments	294,169	76,517	370,686	—		370,686
Financial assets at fair value through profit or loss	607,741	—	607,741	—		607,741
Entrusted deposits	2,041,624	36,802	2,078,426	—		2,078,426
Restricted bank balances	279,474	6,345	285,819	—		285,819
Time deposits with maturity over three months	143,412	982,919	1,126,331	—		1,126,331
Cash and cash equivalents	5,640,941	798,885	6,439,826	(2,961,462)	(4)	3,478,364
	10,803,792	2,697,717	13,501,509	(2,961,462)		10,540,047
Total assets	19,311,345	5,763,868	25,075,213	(2,961,462)		22,113,751

	The Group as at 31 December 2014 HK$'000 (Note 1)	Thrive Leap Group as at 31 March 2015 HK$'000 (Note 2)	Sub-total HK$'000	Unaudited pro forma adjustments HK$'000	Notes	Unaudited pro forma adjusted total for the Enlarged Group HK$'000
EQUITY						
Owners of the Company						
Share capital	5,111,234	78	5,111,312	(78)	(5a)	5,111,234
Reserves	6,329,538	2,664,886	8,994,424	(3,840,822)	(5a)	5,153,602
	11,440,772	2,664,964	14,105,736	(3,840,900)		10,264,836
Non-controlling interests	857,758	1,999,936	2,857,694	879,438	(5b)	3,737,132
Total equity	12,298,530	4,664,900	16,963,430	(2,961,462)		14,001,968
LIABILITIES						
Non-current liabilities						
Defined benefit obligations	—	33,934	33,934	—		33,934
Deferred income	—	111,707	111,707	—		111,707
Obligations under finance leases						
— due after one year	19,116	—	19,116	—		19,116
Bank borrowings	2,530,450	95,598	2,626,048	—		2,626,048
Deferred tax liabilities	43,778	5,419	49,197	—		49,197
	2,593,344	246,658	2,840,002	—		2,840,002
Current liabilities						
Trade payables	1,065,153	70,272	1,135,425	—		1,135,425
Notes payables	377,829	17,446	395,275	—		395,275
Other payables and accruals	1,750,576	317,404	2,067,980	—		2,067,980
Amount due to Tianjin Pharmaceutical	—	243,170	243,170	(243,170)	(3)	—
Amounts due to related companies	752,096	—	752,096	243,170	(3)	995,266
Amounts due to customers for contract work	103,591	—	103,591	—		103,591
Obligations under finance leases						
— due within one year	19,000	—	19,000	—		19,000
Bank borrowings	226,523	129,979	356,502	—		356,502
Current tax liabilities	124,703	74,039	198,742	—		198,742
	4,419,471	852,310	5,271,781	—		5,271,781
Total liabilities	7,012,815	1,098,968	8,111,783	—		8,111,783
Total equity and liabilities	19,311,345	5,763,868	25,075,213	(2,961,462)		22,113,751
Net current assets	6,384,321	1,845,407	8,229,728	(2,961,462)		5,268,266
Total assets less current liabilities	14,891,874	4,911,558	19,803,432	(2,961,462)		16,841,970

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

1. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2014 as set out in the published annual report of the Company for the year ended 31 December 2014.

2. The figures are extracted from the audited consolidated statement of financial position of Thrive Leap Group as at 31 March 2015 as set out in Appendix II to the circular.

3. They represent the reclassification of amount due from immediate holding company of Thrive Leap Group and amount due from Tianjin Pharmaceutical before the Acquisition, to amounts due from (to) related companies in the Enlarged Group as these companies are related companies of the Enlarged Group.

4. This represents cash consideration of RMB2,315,855,000 (equivalent to approximately HK$2,931,462,000, based on the exchange rate of HK$1.00 to RMB0.79) for the Acquisition to be paid out of the Group's internal cash resources and comprises the estimated transaction costs of HK$30,000,000 relating to the Acquisition.

   Pursuant to the terms of the sale and purchase agreement, the Vendor's guarantors have agreed to provide a profit guarantee to the Group in relation to the financial performance of Thrive Leap Group for the financial years ending 31 December 2015, 2016 and 2017. If the actual audited consolidated net profit attributable to owners of Thrive Leap falls short of the guarantee profit, the Vendor's guarantors will pay an amount equal to 67% of such shortfall to the Group.

   For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Financial Position, it is assumed that the guarantee profit will be attained and the pro forma fair value of the profit guarantee is assumed to be nil. The fair value of the guarantee arrangement will be re-assessed upon the completion of the Acquisition and re-measured at fair value through profit or loss at the end of each reporting period until its expiry.

5. The Acquisition is considered as a business combination involving entities under common control because the Company and Thrive Leap are ultimately controlled by the same party, both before and after the Acquisition. As a result, the Acquisition will be accounted for using the principles of merger accounting.

(a) The adjustment represents the elimination on the share capital of Thrive Leap and adjustment to reserves using the principles of merger accounting:

	HK$'000
Cash consideration	2,931,462
Add:	
33% equity interest in Thrive Leap to be held by non-controlling interests upon completion of the Acquisition *(see note 5b)*	879,438
Less:	
Share capital of Thrive Leap	(78)
	3,810,822
Add: Estimated transaction costs	30,000
Pro forma adjustment to reserves of the Enlarged Group	3,840,822

(b) The adjustment represents the recognition of non-controlling interests, being 33% equity interest in Thrive Leap, based on the net assets attributable to owners of Thrive Leap as at 31 March 2015.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, an independent reporting accountants, prepared for the purpose of incorporation in this circular in respect of the unaudited pro forma financial information of the Enlarged Group as set out in section A of Appendix IV to this circular.

Deloitte.
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TO THE DIRECTORS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2014 and related notes as set out on pages IV-2 to IV-5 of section A of Appendix IV to the circular issued by the Company dated 21 August 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-1 of section A of Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 67% of the issued share capital in Thrive Leap Limited on the Group's financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' Responsibilities 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 Accountants' 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 accountants comply with ethical requirements and plan and perform 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 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 unaudited 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 accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, 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 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS OF THRIVE LEAP GROUP

Set out below is the management discussion and analysis of Thrive Leap Group for the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015. The detailed financial information of Thrive Leap Group is set out in appendix II to this circular.

Market overview

The pharmaceutical industry in the PRC will continue to experience rapid development due to a steady growth of GDP and disposable income coupled with the increase in the average life expectancy and ageing population that led to more awareness on the importance of healthcare. This has in turn fueled an increase in demand for the pharmaceutical products and created considerable opportunities for the pharmaceutical industry in the PRC.

Business review

During the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015, Thrive Leap is an investment holding company and has no business operation. Its sole asset of significance is the holding of entire issued share capital of Best Season which in turn holds the entire registered capital of Jinhao. The principal assets of Jinhao consist of its holding of 93,710,608 A shares in Lisheng representing approximately 51.36% of the total issued A shares in Lisheng and 65% and 100% equity interest in Yiyao Printing and Research Institute respectively.

A discussion of Jinhao's business review is set out on pages V-3 to V-8 of this circular.

Significant acquisitions and disposals

Save for the transfer of entire registered capital of Jinhao to Best Season at nil consideration in 2014 pursuant to the restructuring of the state-owned assets in Tianjin implemented by the Tianjin Government, Thrive Leap Group did not have any material acquisition or disposal of subsidiaries and associates during the three years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015.

Liquidity and capital resources analysis

Prior to Jinhao becoming a subsidiary of Thrive Leap in 2014, Thrive Leap Group did not have cash on hand and borrowings as at 31 December 2012 and 2013. As at 31 December 2014 and 31 March 2015, Thrive Leap Group had cash on hand of approximately HK$1,843.6 million and HK$1,788.1 million respectively. As at 31 December 2014 and 31 March 2015, Thrive Leap Group had bank borrowings of HK$240.9 million and HK$225.6 million respectively. All bank borrowings were denominated in Renminbi and fully incurred by Jinhao Group. The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 9.2% and 8.5% as at 31 December 2014 and 31 March 2015 respectively.

As at 31 December 2014 and 31 March 2015, 83% and 85% of bank borrowings were fixed-rate debts with annual interest rates at 6% to 8.1% and 5.35% to 7.8% respectively. Interest on bank borrowings at floating rates were charged by reference to the benchmark lending rates of the People's Bank of China.

Thrive Leap Group did not enter into any derivative contracts or hedging transactions during the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015.

Employees and remuneration policies

Prior to Jinhao becoming a subsidiary of Thrive Leap in 2014, Thrive Leap Group did not have any employees for the year ended 31 December 2012 and 2013. As at 31 December 2014 and 31 March 2015, Thrive Leap Group had a total of approximately 2,879 and 2,826 employees respectively, of whom approximately 335 and 354 were management personnel and 1,009 and 1,016 were technical staff, with the balance being production workers.

Thrive Leap Group has contributed to the employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retirees and also paid supplementary retirement benefits for certain retirees in the PRC.

Charge on assets

As at 31 December 2012 and 2013, none of the assets of Thrive Leap Group were charged. As at 31 December 2014 and 31 March 2015, Thrive Leap Group had pledged a land use right of approximately HK$31.9 million and HK$31.8 million respectively against a banking facility granted to Jinhao Group. As at 31 March 2015, bank deposit of approximately HK$6.3 million was pledged to a bank to secure for general banking facility.

Foreign exchange exposure

As majority of the transactions of Thrive Leap Group are denominated and settled in RMB, there is no significant exposure to fluctuation in foreign exchange currency. Thrive Leap Group had not entered into any foreign currency exchange forward contracts for hedging purposes throughout the years and periods indicated.

Contingent liabilities

During the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015, Thrive Leap Group had no contingent liabilities.

Capital commitments

As at 31 December 2014 and 31 March 2015, Thrive Leap Group had capital commitments amounting to HK$400.5 million and HK$315.4 million respectively, which were all incurred by Jinhao Group in relation to the acquisitions of property, plant and equipment.

Future plans for material investment and capital assets and new business

Save for disclosed as capital commitments, as at the Latest Practicable Date, Thrive Leap Group had no plan for material investment and capital assets and new business.

MANAGEMENT DISCUSSION AND ANALYSIS OF JINHAO GROUP

Set out below is the management discussion and analysis of Jinhao Group for the three years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015. The detailed financial information of Jinhao Group is set out in appendix III to this circular.

Business review

Jinhao is a company established under the laws of the PRC with limited liability on 2 August 2011. Its principal assets consist of the holding of 93,710,608 A shares in Lisheng representing approximately 51.36% of the total issued A shares in Lisheng and 65% and 100% equity interest in Yiyao Printing and Research Institute respectively.

Lisheng is a joint stock limited company established under the law of the PRC on 17 June 1981. The RMB-denominated domestic A shares of Lisheng are listed on the Shenzhen Stock Exchange (Stock Code: 002393). Lisheng and its subsidiary are principally engaged in the manufacturing and sale of chemical drugs in the PRC.

Yiyao Printing, established in March 1993, became a limited liability company under the laws of the PRC since March 2004. Yiyao Printing and its subsidiary are principally engaged in the design, manufacture, printing for pharmaceutical packaging and sale of other paper-based packaging materials.

Research Institute is a limited liability company established under the laws of the PRC. Founded in 1959, it was a former affiliated research institute of the State Food and Drug Administration of the PRC which has specialized in research and development of new medicine and new products. The business scope of Research Institute includes researches on areas such as pharmaceutical knowledge, pharmaceutical chemistry, pharmaceutical preparations, modern Chinese medicine, safety evaluation of new drugs and drug metabolism, and specializes in the research and development of innovative medicines and technology improvements of Chinese medicine, chemical medicine and biotechnological medicine.

Financial review

For the year ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the revenue of Jinhao Group represents proceeds from (i) sale of pharmaceutical products; (ii) provision of research and development service and transfer of technical know-how; (iii) sale of packaging products; and (iv) other pharmaceutical related operations, which primarily include revenue from patents royalties, technical solutions and consultation services.

Revenue

For the year ended 31 December 2012, the revenue of Jinhao Group amounted to approximately HK$1,825.3 million which included approximately HK$1,642.9 million from sale of pharmaceutical products, approximately HK$47.4 million from provision of research and development services and transfer of technical know-how, approximately HK$119.1 million from packaging materials and approximately HK$15.9 from other pharmaceutical related operations.

For the year ended 31 December 2013, Jinhao Group's revenue increased by 2.2% from approximately HK$1,825.3 million in 2012 to approximately HK$1,865.7 million, primarily as a result of the increase in revenue from provision of research and development services and transfer of technical know-how. The revenue included approximately HK$1,632.1 million from sale of pharmaceutical products, approximately HK$85.8 million from provision of research and development services and transfer of technical know-how, approximately HK$135.3 million from sale of packaging materials and approximately HK$12.5 million from other pharmaceutical related operations.

For the year ended 31 December 2014, Jinhao Group's revenue decreased by 20% from approximately HK$1,865.7 million in 2013 to approximately HK$1,490.8 million. The revenue included approximately HK$1,268.2 million from sale of pharmaceutical products, approximately HK$94.3 million from provision of research and development services and transfer of technical know-how, approximately HK$113.4 million from sale of packaging materials and approximately HK$14.9 million from other pharmaceutical related operations. The decline in revenue between 2013 and 2014 was primarily attributed to the decrease in revenue from sale of pharmaceutical products, as a result of the change in sales mix of products in favour of adjustment in production of certain major products, which was primarily due to (i) modification works associated with new Good Manufacturing Practice ("**GMP**") requirements and (ii) unsuccess in bidding for certain tenders on relevant major products in several geographical regions.

For the three months ended 31 March 2015, Jinhao Group recorded a revenue of approximately HK$419.4 million, representing a decrease of 10.9% as compared with HK$470.6 million for the three months ended 31 March 2014. The revenue included approximately HK$349.2 million from sale of pharmaceutical products, approximately HK$26.7 million from provision of research and development services and transfer of technical know-how, approximately HK$35.2 million from sale of packaging materials and approximately HK$8.3 million from other pharmaceutical related operations. The decline in revenue was primarily attributed to the decrease in revenue from sale of pharmaceutical products, partially offset by higher revenue from provision of research and development services and transfer of technical know-how.

Gross Profit

The gross profit of Jinhao Group increased by 7.2% from approximately HK$1,115.2 million in 2012 to approximately HK$1,195.1 million in 2013. The increase was mainly due to improvement in gross profit margin for sale of pharmaceutical products business and the increase in revenue from provision of research and development services and transfer of technical know-how as well as packaging products, which caused the gross profit margin to increase from 61.1% in 2012 to 64.1% in 2013.

The gross profit of Jinhao Group decreased by 28.6% from approximately HK$1,195.1 million in 2013 to approximately HK$853.4 million in 2014, primarily due to the decrease in revenue from sale of pharmaceutical products as a result of change in sales mix of products in favour of adjustment in production of certain major products, which commanded a higher profit margin, in response to (i) modification works associated with new GMP requirements and (ii) unsuccess in bidding for certain tenders on relevant major products in several geographical regions. The gross profit margin decreased from 64.1% in 2013 to 57.2% in 2014.

The gross profit of Jinhao Group decreased by 18.8% from approximately HK$285.7 million for the three months ended 31 March 2014 to approximately HK$232 million for the three months ended 31 March 2015, which was primarily due to the reduction in revenue from sale of pharmaceutical products as a result of continued implementation of adjustment in sales mix, partially offset by the increase in revenue from provision of research and development services and transfer of technical know-how, which caused the gross profit margin to decrease from 60.7% for the three months ended 31 March 2014 to 55.3% for the three months ended 31 March 2015.

Major expenses

Jinhao Group's selling and distribution expenses were approximately HK$346.8 million, HK$371.1 million, HK$322.5 million, HK$112.5 million and HK$77.2 million for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015 respectively, representing 19%, 19.9%, 21.6%, 23.9% and 18.4% of revenue in the same periods indicated. Selling and distribution expenses decreased by 13.1% between 2013 and 2014, primarily due to the decrease in performance based staff cost and general office expenses as a result of decrease in revenue from sale of pharmaceutical products. Selling and distribution expenses decreased by 31.4% from approximately HK$112.5 million for the three months ended 31 March 2014 to approximately HK$77.2 million for the three months ended 31 March 2015. The decrease was primarily due to a decrease in expenses relating to marketing activities as a result of continued implementation of adjustment in sales mix.

Jinhao Group's general and administrative expenses were approximately HK$246.1 million, HK$264.8 million, HK$305.2 million, HK$68.4 million and HK$63.1 million for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015 respectively, representing 13.5%, 14.2%, 20.5%, 14.5% and 15.0% of revenue in the same periods indicated. General and administrative expenses increased by 15.2% between

2013 and 2014, primarily due to an increase in expenses relating to salaries and benefits as a result of increase in average salary and benefit per employee. General and administrative expenses decreased by 7.8% from approximately HK$68.4 million for the three months ended 31 March 2014 to approximately HK$63.1 million for the three months ended 31 March 2015. The decrease was primarily due to a decrease in general office expenses as a result of improved operational efficiency.

Jinhao Group's research and development expenses were approximately HK$99.6 million, HK$105.7 million, HK$118.4 million, HK$27.9 million and HK$27.6 million for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015, respectively, representing 5.5%, 5.7%, 7.9%, 5.9% and 6.6% of revenue in the same periods indicated. Research and development expenses increased by 12.1% between 2013 and 2014, primarily due to an increase in expenses relating to enhancing of research and development capabilities. Research and development expenses remained relatively stable in the three months ended 31 March 2014 compared with that in the three months ended 31 March 2015.

Net profit

Jinhao Group's net profit was approximately HK$396.8 million, HK$435.5 million, HK$114.4 million, HK$63.7 million and HK$68.7 million for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015 respectively. Jinhao Group's net profit increased by 9.7% between 2012 and 2013, primarily due to the increase in profit from sale of pharmaceutical products driven by improved margin and the increase in revenue from provision of research and development services and transfer of technical know-how as well as packaging products, partially offset by the increase in selling and administrative expenses.

Jinhao Group's net profit decreased by 73.7% between 2013 and 2014, primarily due to the decrease in revenue from sale of pharmaceutical products as a result of change in sales mix of products. The decrease in net profit was also attributable to the increase in administrative expenses and research and development expenses, partially offset by the decrease in selling expenses.

The net profit of Jinhao Group increased by 7.9% from approximately HK$63.7 million for the three months ended 31 March 2014 to approximately HK$68.7 million for the three months ended 31 March 2015. The increase was primarily due to the increase in revenue from provision of research and development services and transfer of technical know-how and decrease in expenses relating to selling and administrative expenses, partially offset by the reduction in revenue from sale of pharmaceutical products as a result of continued implementation of adjustment in sales mix. With the granting of new GMP accreditation in January 2015, the production lines in manufacturing of tablet and hard capsule are GMP compliant and Jinhao Group will further develop its sales mix in favour of major products and expand its market penetration through increased marketing activities.

Significant acquisitions and disposals

As part of the restructuring of the state-owned assets in Tianjin implemented by the Tianjin Government, Jinhao had on 3 November 2011 entered into a share transfer agreement with Tianjin Pharmaceutical for the transfer of, among others, 93,710,608 A shares in Lisheng, representing approximately 51.36% of total issued A shares in Lisheng, 65% equity interest in Yiyao Printing and 100% equity interest in Research Institute to Jinhao at nil consideration. Such transfer was completed on 21 December 2012.

In 2011, Lisheng had entered into an agreement with Tianjin Pharmaceutical Group, pursuant to which Lisheng agreed to acquire from Tianjin Pharmaceutical Group 100% equity interest in Tianjin Central Pharmaceutical Co., Ltd. at a cash consideration of approximately HK$616 million. The acquisition was completed in June 2012.

Save as aforementioned, Jinhao Group did not have any material acquisition or disposal of subsidiaries and associates during the three years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015.

Liquidity and capital resources analysis

As at 31 December 2012, 2013 and 2014, and 31 March 2015, Jinhao Group had cash on hand of approximately HK$2,161.6 million, HK$2,191.4 million, HK$1,843.6 million and HK$1,788.1 million respectively. As at 31 December 2012, 2013 and 2014, and 31 March 2015, Jinhao Group had bank borrowings of HK$148 million, HK$297.8 million, HK$240.9 million and HK$225.6 million respectively. The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 6.1%, 11.3%, 9.2% and 8.5% as at 31 December 2012, 2013 and 2014, and 31 March 2015 respectively.

As at 31 December 2012, 2013 and 2014, and 31 March 2015, all bank borrowings were denominated in Renminbi and of which 31%, 77%, 83% and 85% were fixed-rate debts with annual interest rates at 6.56% to 8.2%, 6% to 8.1%, 6% to 8.1% and 5.35% to 7.8% respectively. Interests on bank borrowings at floating rates were charged by reference to the benchmark lending rates of the People's Bank of China.

Jinhao Group did not enter into any derivative contracts or hedging transactions during the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015 respectively.

Employees and remuneration policies

As at 31 December 2012, 2013 and 2014, and 31 March 2015, Jinhao Group had a total of approximately 2,922, 2,952, 2,879 and 2,826 employees respectively, of whom approximately 375, 389, 335 and 354 were management personnel and 989, 1,003, 1,009 and 1,016 were technical staff, with the balance being production workers.

Jinhao Group has contributed to the employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retirees and also paid supplementary retirement benefits for certain retirees in the PRC.

Charge on assets

As at 31 December 2012, 2013 and 2014, and 31 March 2015, Jinhao Group had pledged a land use right of approximately HK$32.4 million, HK$32.6 million, HK$31.9 million and HK$31.8 million respectively against a banking facility. As at 31 March 2015, bank deposit of approximately HK$6.3 million was pledged to a bank to secure for general banking facility.

Foreign exchange exposure

As majority of the transactions of Jinhao Group are denominated and settled in RMB, there is no significant exposure to fluctuation in foreign exchange rate. Jinhao Group had not entered into any foreign currency forward contracts for hedging purposes throughout the years and periods indicated.

Contingent liabilities

During the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015, Jinhao Group had no contingent liabilities.

Capital commitments

As at 31 December 2012, 2013 and 2014 and 31 March 2015, Jinhao Group had capital commitments amounting to HK$1,194.7 million, HK$873.7 million, HK$400.5 million and HK$315.4 million respectively.

Future plans for material investment and capital assets and new business

Save for disclosed as capital commitments, as at the Latest Practicable Date, Jinhao Group had no plan for material investment and capital assets and new business.

The following is the text of a business valuation report received from Vigers, an independent valuer, prepared for the purpose of incorporation in this circular, in connection with its valuation of the entire equity interest in Thrive Leap.

VIGERS
威格斯

Our Ref: RHKK/FKMY/DN/VA22795-2015

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

Date: 19 August 2015

The Directors
Tianjin Development Holdings Limited
3607–13 China Merchants Tower,
Shun Tak Centre,
168–200 Connaught Road Central,
Hong Kong.

Dear Sirs/Madams,

VALUATION OF 100% EQUITY INTEREST ON THRIVE LEAP LIMITED ("THRIVE LEAP")

In accordance with the instruction from Tianjin Development Holdings Limited ("Tianjin Development"), we have carried out a valuation of 100% equity interest on Thrive Leap (the "Equity Interest") as at 31 August 2014 (the "Valuation Date"). Thrive Leap is a holding company which owns three major subsidiaries, which includes approximately 51.36% interest in Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Lisheng), 100% equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (TIPR) and 65% equity interest in Tianjin Yiyao Printing Co., Ltd. (天津宜藥印務有限公司) (TJYY) (collectively referred to as the "Subsidiaries"). The purpose of this report is to provide an opinion on the market value of the Equity Interest as at the Valuation Date. We understand this valuation is required for possible interest transfer.

Based on the investigation, analysis and appraisal method employed stated in the below, it is our opinion that, as of 31 August 2014, the market value of the Equity Interest can be stated as Renminbi Three Billion Seven Hundred Forty Six Million Two Hundred Thousand RMB3,746,200,000 only.

The opinion of value was based on generally accepted appraisal procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The opinion was based on the management discussion, assumptions and representations, in oral or writing. The financial projection or estimates set out in the valuation formed part of the assumptions. We were furnished with limited financial information and other documents germane to the valuation. These data had been utilized without further verification as correctly representing the results and future prospects of the operation and the financial condition of the subject. No responsibility is assumed for the accuracy of the provided information. The opinion of value is subject to change if any of the assumptions provided by the management is not reasonable or properly made, and we reserve the right to change or withdraw our opinion without any liabilities.

We have not been engaged to make specific sales or purchase recommendation. The use of the report will not supplant other due diligence which the company or the concerned parties should conduct in reaching business decision regarding the subject of valuation.

The valuation procedure did not require us to conduct legal due diligence on the legality and formality of the subject and its related legal documents, and it should be the responsibility of the legal advisor to the management of the company. Thus, no responsibility or liability is assumed from our report to the origin and continuity of the subject. We have not inspected the original documents filed to the relevant authorities to verify ownership of the subject. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the subject. No responsibility or liability is assumed in relation to those opinions or copies of documents provided (if any).

In accordance with our standard practice, this report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of the contents of this report.

We hereby certify that we have neither present nor prospective interests in the assets or the value reported.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL & CONSULTING LTD.

Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS, MHKIS, MSc(e-com)
China Real Estate Appraiser
Managing Director

Favian Kam Man Yin
CFA, MBA
Executive Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), China Real Estate Appraiser, has over twenty seven years' experience in undertaking valuations of properties in Hong Kong and has over twenty years' experience in valuations of properties in the PRC, Macau, Taiwan and Asia-Pacific region. And he has over ten years' experience in business valuation.

1. INTRODUCTION

1.1 Purpose

We have been instructed by Tianjin Development to appraise the Equity Interest as at the Valuation Date. The purpose of this report is to provide an opinion on the market value of the Equity Interest for the purpose of possible interest transfer.

1.2 Scope of Work

The scope of work includes only the valuation of the market value of the Equity Interest. Thrive Leap is a holding company which indirectly owns three major subsidiaries, which includes (1) approximately 51.36% interest in Lisheng; (2) 100% equity interest in TIPR; and (3) 65% equity interest in TJYY.

1.3 Standard of Value

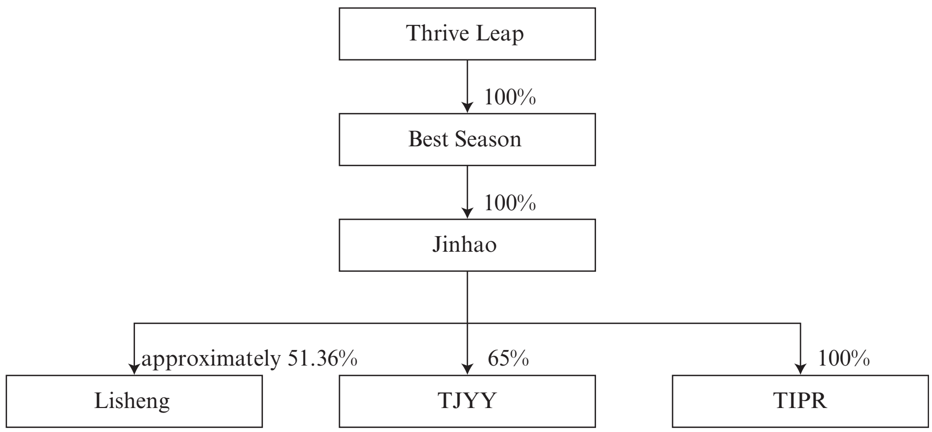
Our appraisal has been carried out on a market value basis. **Market value** is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted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

1.4 Date of Valuation

The date of the valuation is 31 August 2014.

2. BACKGROUND

Thrive Leap is a holding company which indirectly owns three major subsidiaries, namely, approximately 51.36% interest in Lisheng, 100% equity interest in TIPR and 65% equity interest in TJYY through Best Season Holdings Limited (Best Season) and TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司) (Jinhao). The following organization chart sets out the controllership of the aforesaid subsidiaries.



Lisheng is one of the large pharmaceutical enterprises in Tianjin. The company was established in 1981. Lisheng and its subsidiaries are principally engaged in the manufacturing and distribution of chemical drug. The company has approximately 1,100 staffs. Its key products include western medicine tablets, hard capsules, granules, pills, pharmaceutical raw materials. Products will be sold in the PRC and exported to Japan, Australia, Korea, Europe, Southeast Asian countries and regions. It reported a sales and net profit of RMB1,044 million and RMB293 million respectively in financial year 2013. Lisheng A shares are listed on Shenzhen Stock Exchange.

TIPR was originally founded in 1959, and was one of the affiliated research institutes of State Food and Drug Administration, P.R.China (SFDA). The institute became a national key hi-tech institute focused on the development of new drugs since 2000, after organization reform. The institute with profound history has a research team of skilled and high quality professionals, including academician of Chinese Academy of Engineering, specialists receiving state allowance and senior research fellows. In addition, the institute provides Master programs in Chinese Medicine, pharmaceutical science and PhD program in pharmacology, as well as post-doctoral training center. It reported a sales and net profit of RMB325.9 million and RMB28.3 million respectively in financial year 2013.

TJYY is a printing enterprise specializing in the package of medicines and chemical reagents and other paper products and packing. Established in 1993, the company is located at No. 83, Xianyang Road, Nankai District of Tianjin, taking up an area of 13,712 square meters, with construction area of 13,193 square meters. There are a two-storey united factory building and a new integrated three-storey office building. TJYY and its subsidiary are equipped with design, digital proofing, CTP plate making, program-controlled cutting, multi-color printing, automatic cutting, automatic gluing and marking capabilities. It reported a sales and profit of RMB106.9 million and RMB22.7 million respectively in financial year 2013.

3. INFORMATION REVIEWED

As part of our analysis we have been furnished with information prepared by Tianjin Development, including but not limited to the following:

- The business nature of TJYY, TIPR and Lisheng, business licenses, background and relevant information of the Subsidiaries;
- Audited financial statements of TJYY, TIPR and Lisheng for the financial year ended 31 December 2013;
- The management accounts of Thrive Leap, Best Season and Jinhao as at 31 August 2014;
- The latest available balance sheets and the net asset value of TJYY, TIPR and Lisheng as at 30 June 2014 provided by Tianjin Development.
- Market position, competitive advantages and disadvantages of TJYY, TIPR, Lisheng and other competitors, if any; and
- Relevant operational and financial information in relation to TJYY, TIPR and Lisheng, such as operational performance indicators and descriptions, research on background of other comparable companies, their business profiles, financial results, etc..

We have reviewed the information required, which is considered sufficient for the issue of the valuation report of the type in question and we believe no material factor has been intentionally omitted or withheld from the given information in order to reach an informed view.

4. VALUATION

4.1 Valuation Theory

In arriving at our opinion of value, we have made reference to three generally accepted approaches to value, namely; the Market Approach, the Cost Approach and the Income Approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to indicate market prices to reflect condition and utility of the appraised assets relative to the comparable market transactions.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation as condition or obsolescence present, whether arising from physical, functional or economic causes.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

Determination of the Valuation Approach

Since Thrive Leap is a holding company indirectly holding the Subsidiaries, the valuation will involve two phases of calculation. In phase one, the value of Subsidiaries will be assessed by market or income approach, depending on the nature of the Subsidiaries. In phase two, the value of the Subsidiaries will be consolidated into the holding companies.

In phase one, we consider the market approach would be appropriate for the valuation of TJYY and TIPR. Firstly, income approach may have limitation in the case since it will be subject to the estimation risk in a rapidly changing business environment under which the management of TJYY, TIPR considered a reliable projection on the business cannot be properly prepared and ascertained as at the valuation date. Secondly, the market approach can address the going concern of TJYY and TIPR, the market information and sentiment on the Valuation Date, and thus objectively reflect the revenue growth or profitability as expected by market participants. Cost approach may not be appropriate for TJYY and TIPR since this approach fails to consider the going concern of TJYY and TIPR.

For the valuation of Lisheng, since Lisheng is a listed company, the market value of its shares can be reflected by its closing price of the traded shares. Therefore, the valuation of Lisheng Shares will adopt market approach directly. On 31 August 2014, Lisheng A shares reported a closing price of RMB30.53. The interest on Lisheng is equivalent to a holding of 93,710,608 Lisheng Shares.

In phase two, the adjusted net assets value approach was adopted, given that Thrive Leap and its intermediate subsidiaries are solely holding companies without business operation. We restated the net asset value of Jinhao based on the market value of the Subsidiaries which are being held by Jinhao, then the value of Jinhao has consolidated into Best Season and Thrive Leap. The net asset value (which is adjusted net asset value) of Jinhao, Best Season and Thrive Leap was assessed by the restatement of all balance sheet items as at 31 August 2014.

4.2 Valuation Method

We consider that the use of the enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA) multiple is an appropriate valuation methodology for the valuation of the Equity Interest since the method evaluates the value of TJYY and TIPR based on their earnings capability and provides direct reference on their market value with reference to a group of comparable companies whose shares are publicly traded on the market.

The valuation is derived from applying (i) an expected EV to EBITDA ("EV/EBITDA") multiple of a group of listed companies operating in comparable business, adjusted for the uniqueness of the Subsidiaries being evaluated, (ii) the EBITDA of the Subsidiaries reflected in the financial statement for the year ended 31 December 2013 with appropriate adjustments, if required.

Before arriving at our opinion of value, we have considered, inter alia, the following factors:

- the stability and continuity of the income and profit of TJYY and TIPR;
- the general outlook of the printing industry and pharmaceutical research industry in the PRC;
- the composition of revenue and earnings quality of the printing business and pharmaceutical research business of other comparable companies in printing business;
- discussion on the non-operating assets and liabilities owned by TJYY and TIPR;
- future challenge and developments in the printing business and pharmaceutical research;
- the financial condition of TJYY, TIPR; and
- the specific risks associated with TJYY and TIPR.

4.3 Assumptions

In preparing this appraisal, a number of assumptions have been made in giving our opinion on the market value of TJYY, TIPR. The following assumptions are considered to be applicable to the appraisals in connection with TJYY, TIPR and have a significant effect on this appraisal. These assumptions formed the basis in arriving at our opinion of value. The major assumptions adopted in this valuation are as follows:

- There will be no material adverse change in the political, legal, fiscal or economic condition in the PRC and other regions in which TJYY, TIPR operate;

- TJYY, TIPR will retain the key management, competent personnel and technical staff to support its ongoing operation;
- Market trend and conditions for TJYY, TIPR in related areas will not deviate significantly from the economic forecasts in general. Consumer behavior will have no significant change throughout the valuation period;
- The valuation assumed the operation period of TJYY, TIPR will run into indefinite future, that is, we assume that the business licenses of TJYY, TIPR, or relevant administrative procedure in relation to the renewal of business can be properly carried out;
- We assumed that the general management practice of TJYY, TIPR, including but not limited to accounting policy and dividend policy, will have no significant deviation from the current practice adopted by TJYY, TIPR;
- As per discussion with the management of Tianjin Development, only management accounts as at 30 June 2014 of TJYY and TIPR were made available to Tianjin Development. It is advised that there would be no material difference on the debt and cash position, non-operating assets and liabilities from 30 June 2014 to 31 August 2014;
- We assumed that the performance of TJYY, TIPR would be approaching to benchmark companies; and
- We have assumed the reasonableness of the information provided and relied to a considerable extent on such information in arriving at our opinion of value.

4.4 Market Approach

In phase one, our investigation has covered the earnings multiples of companies engaged in printing and pharmaceutical research. We consider enterprise value to earnings before interest, tax, depreciation and amortization multiple (EV/EBITDA) as the appropriate method to evaluate the market value of TJYY and TIPR since: (I) The valuation of TJYY and TIPR shall first be assessed by their enterprise value and then the net debt and other non-operating items shall be deducted therefrom. Therefore the cash flow to the firm is an appropriate measurement on a firm's full earnings capability. Under this premise, EBITDA is preferable as compared to other earnings measurement, since it represents the operating cash flow contributed to a company which is subject to minimal accounting effect across border and hence provides more meaningful comparison; (II) The EV/EBITDA ratio inherits the market expectation on the future outlook of the industry being evaluated, and thus reflects the going concern and the growth expectation in relation to the printing and pharmaceutical research operation.

In the construction of comparables, we have considered the following factors in order to provide appropriate comparison. Firstly, the comparables shall be in the same industry as the subject company being appraised. We thus select only companies which are involved in printing and pharmaceutical research operation. Secondly, the comparables shall report positive earnings so as to infer meaningful multiples for comparison. We will also make adjustments on the conclusion of EV/EBITDA multiple where appropriate, such as the difference on trading market and marketability of the Subsidiaries to form our opinion. We have included companies which are listed in Hong Kong and the PRC in the comparables, which are principally engaged in printing and pharmaceutical research operation.

Analysis of Comparables

In constructing the comparables for TJYY, we collect similar companies in printing industry from Bloomberg, a public financial data provider that mostly referred to. Second, companies with negative earnings would not be meaningful multiples and therefore should not be considered. In addition, companies with extremely high multiples would distort the comparison and hence should not be selected for comparison. After removing the aforesaid companies, we focus on the similarity of the business of TJYY against the comparables. For those companies not principally focus on printing for package, or companies focus on printing book, periodical, or companies operate in the region other than the PRC or Hong Kong market, they would not be comparable to TJYY and hence should be excluded from the list. As a result, a total of six comparable companies remained in the list. Based on aforesaid selection criteria and the information available to us, we consider the list of comparable companies is sufficient and comprehensive benchmark that provided meaningful comparison with TJYY.

In constructing the comparables for TIPR, we collect similar companies in pharmaceutical industry from Bloomberg, a public financial data provider that mostly referred to. Second, companies with negative earnings would not be meaningful multiples and therefore should not be considered. In addition, companies with extremely high multiples would distort the comparison and hence should not be selected for comparison. After removing the aforesaid companies, there are companies engaged in the sales of medicine, medical equipment, sales of supplement, pharmaceutical research, or medicine development left in the sample. We focus on the similarity of the business of TIPR against the comparables. For those companies not involved in pharmaceutical research and medicine development, or companies focus on medicine equipment or ancillary products, or companies operate in the region other than the PRC or Hong Kong market, they would not be comparable to TIPR and hence should be excluded from the list. As a result, a total of seven comparable companies remained in the list. Based on aforesaid selection criteria and the information available to us, we consider the list of comparable companies is sufficient and comprehensive benchmark that provided meaningful comparison with TIPR.

Adjust the multiple on comparable basis

Based on the aforesaid procedures to construct the comparables, there are multiples collected from the PRC market and Hong Kong market. In addition, we also observed that the EV/EBITDA multiples of the PRC market and Hong Kong stock market were different. Therefore, we would assess the ratio of the PRC market EV/EBITDA against the Hong Kong market EV/EBITDA. To align the comparison on same basis, this ratio will be used as the adjustment factor to adjust individual multiples.

The following are the details of the comparable companies in printing industry:

Code	Company Name	Principal Activities	Adjusted EV/ EBITDA
601515	SHANTOU DONGFE-A	Designs, manufactures and sells cigarette packet printings and related packaging materials. The company's main products include cigarette packets used in cigarette brand packaging.	14.4
000812	SHAANXI JINYE-A	Provides packaging material printing services mainly for the tobacco industry.	11.0
002191	SHENZHEN JINJI-A	Designs trademarks, prints and manufactures standard cigarette boxes for cigarette companies, printing other packaging materials.	7.8
1008	BRILLIANT CIRCLE	Principally engaged in the cigarette package printing business. In addition, it also provides book printing and other paper-related products as well as manufacturing of laminated paper.	4.6
2300	AMVIG HOLDINGS LTD	Prints cigarette packages and manufactures laminated papers for cigarette packages in China.	3.9
403	STARLITE HOLDINGS LTD	Prints and manufactures packaging materials, labels, paper products, environmental friendly products, and licensed products.	2.6
		Average	**7.4**

The following are the details of the comparable companies in pharmaceutical research industry:

Code	Company Name	Principal Activities	Adjusted EV/ EBITDA
460	SIHUAN PHARM	Researches and develops cardiocerebral vascular drugs in China, in the areas of anti-infective, metabolism, cardiovascular system, oncology and nervous system.	24.4
1177	SINO BIOPHARM	Researches, develops, produces, and sells biopharmaceutical products for the medical treatment of ophthalmia and hepatitis.	16.6
2186	LUYE PHARMA GROUP	Research and development, production, and sales of pharmaceutical drugs for orthopedics, neurology, gastroenterology, and hepatology. The company also sells active ingredients, R&D results, and patents of new drugs, as well as provides research services on a contractual basis.	45.4
1349	SHANGHAI FUDAN-H	Researches, develops, and sells self-developed bio-pharmaceutical know-how. The company also carries out contracted research for customers, manufactures and sells diagnostic reagent, and provides related ancillary services in China.	39.0
300086	HAINAN HONZ-A	Researches, manufactures and sells medication for children. The company's products are injection, lyophilized powder for injection, tablets, capsules and granules.	38.1

Code	Company Name	Principal Activities	Adjusted EV/ EBITDA
600488	TIANJIN TIANYA-A	Researches, develops, and manufactures corticoid and cardiovascular pharmaceuticals. The company also provides related technology consulting services.	32.1
300347	HANGZHOU TIGER-A	Provides professional clinical research services for domestic and foreign pharmaceutical and health-related research and development.	33.3
		Average	**32.7**

Assess the Equity Interest value

Having obtained the average multiple of the comparables for TJYY, we will assess the Equity Interest value of TJYY, which is arrived by:

(1) EV/EBITDA multiplied with the EBITDA of the TJYY to obtain the Enterprise value;

(2) Enterprise value deducted debt reported on TJYY balance sheet as at 30 June 2014, for TJYY, no debt was reported;

(3) Added up the non-operating assets and cash reported on TJYY balance sheet as at 30 June 2014, amounted to approximately RMB84.5 million; and

(4) Deducted the non-operating liabilities reported on TJYY balance sheet as at 30 June 2014, amounted to approximately RMB2.3 million.

Having obtained the average multiple of the comparables for TIPR, we will assess the Equity Interest value of TIPR, which is arrived by:

(1) EV/EBITDA multiplied with the EBITDA of the TIPR to obtain the Enterprise value;

(2) Enterprise value deducted debt reported on TIPR balance sheet as at 30 June 2014, amounted to approximately RMB47.3 million;

(3) Added up the non-operating assets and cash reported on TIPR balance sheet as at 30 June 2014, amounted to approximately RMB385.4 million; and

(4) Deducted the non-operating liabilities and minority interest reported on TIPR balance sheet as at 30 June 2014, amounted to approximately RMB312.9 million.

The Equity Interest being assessed by average comparable multiple represents the value of a freely transferrable status. However, TJYY and TIPR are closely held companies that are not readily tradable on open market. We shall include marketability discount to reflect the illiquidity nature of their shares.

Marketability discount is about how quick an asset can turn into cash. The determination of marketability discount has considered the nature of the assets, the cash flow generating power of the assets, and the expected holding period. For an asset which is easily to be traded after a short period of marketing, with strong cash flow generating, and foreseeable short period of holding, the marketability would be a lower side of 15% to 20%. For an asset which is rare to observe precedent transaction, with no cash flow generating capability, and foreseeable long holding period, the marketability discount would be a high side of 40%-45%. Given that TIPR and TJYY have stable and significant cash flow generating capability, and can be traded under a reasonable period of marketing, with foreseeable medium to long holding period, we ranked the marketability discount as a moderate level, i.e. 25%. Such discount will be applied on the Equity Interest of TIPR and TJYY respectively. Based on the above consideration and adjustment, the values of the Subsidiaries were estimated as follows:

51.36% interest in Lisheng	RMB2,860,900,000
100% equity interest in TIPR	RMB750,500,000
65% equity interest in TJYY	RMB133,200,000

In phase two, the value of the Subsidiaries have been consolidated into the holding companies of the Subsidiaries. Having replaced the book value of Subsidiaries by market value, the net book value of each of Jinhao, Best Season and Thrive Leap was adjusted to reflect the market value of the Subsidiaries, and hence the market value of 100% equity interest on Thrive Leap.

4.5 Conclusion

Based on the aforesaid investigation, analysis and appraisal method employed, it is our opinion that, as of 31 August 2014, the market value of the Equity Interest can be stated as Renminbi Three Billion Seven Hundred Forty Six Million Two Hundred Thousand RMB3,746,200,000 only.

4.6 Scenario Test

We have been asked to perform a scenario test of the impact of stock price to the value of Lisheng. The scenario test is to investigate the effect of a 30-day average trading price prior to the Valuation Date with further 10% discount as the input to the stock price. Further details of this test are set out in the appendix.

APPENDIX

We have be asked to perform a test on the 51.36% interest in Lisheng with the input of share price at 90% of 30-day average trading price prior to 31 August 2014 (the "Testing Stock Price")*. The following illustrates the value of 51.36% interest in Lisheng with the aforesaid input only. The illustration provided on this appendix did not constitute our opinion of value of the Subsidiaries or part of the Subsidiaries.

Tianjin Lisheng Pharmaceutical Co., Ltd (002393.SZ)

Test on 90% of 30-day average trading price prior to 31 August 2014

Stock Price *(RMB)*	27.44	(Source: Bloomberg, trailing 30-day average trading price *90%)
No. of Shares	93,710,608.00	(approximately 51.36% of total issued A shares in Lisheng)
Market Value *(RMB)*	2,571,259,775.49	

The effect of the Testing Stock Price will cause the value of Lisheng to decline from RMB2,860,900,000 to approximately RMB2,571,300,000. As a result of the input of the Testing Stock Price, the value of Thrive Leap will decline from RMB3,746,200,000 to approximately RMB3,456,500,000.

**Note:* "90% of 30-day average trading price" is an approximation of share price pursuant to Article 24 and 36 of "The Interim Administrative Measures for the Transfer of Shares of Listed Companies by State-owned Shareholders《國有股東轉讓所持上市公司股份管理暫行辦法》" issued by State-owned Assets Supervision and Administration Commission of the State Council of the PRC and China Securities Regulatory Commission.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

(i) Directors' interests in the shares of the Company

Name of Director	Number of underlying shares held	Approximate percentage of total issued shares
Mr. Wang Zhiyong	8,600,000	0.80%
Mr. Tuen Kong, Simon	2,900,000	0.27%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	1,100,000	0.10%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	1,100,000	0.10%
Mr. Mak Kwai Wing, Alexander	600,000	0.06%
Ms. Ng Yi Kum, Estella	600,000	0.06%
Mr. Wong Shiu Hoi, Peter	100,000	0.01%

Notes:

1. All interests are personal interests held in the capacity as a beneficial owner.

2. All interests stated above represent long positions.

(ii) Directors' interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interests	Capacity	Number of underlying shares held	Approximate percentage of total issued shares
Ms. Zhang Lili	Tianjin Port Development Holdings Limited	Personal interest	Beneficial owner	3,450,000	0.06%

(iii) Directors' interests in the share options granted by the Company

Name of Director	Date of grant	Exercise price per share *HK$*	Number of share options Held as at the Latest Practicable Date	Exercise Period	*Notes*
Mr. Wang Zhiyong	16/12/2009	5.750	900,000	16/12/2009 – 24/05/2017	*(2)*
	07/11/2011	3.560	2,800,000	11/11/2011 – 24/05/2017	*(4)*
	19/12/2012	4.060	2,800,000	19/12/2012 – 24/05/2017	*(5)*
	20/12/2013	5.532	2,100,000	20/12/2013 – 24/05/2017	*(6)*
Mr. Tuen Kong, Simon	16/12/2009	5.750	900,000	16/12/2009 – 24/05/2017	*(2)*
	20/12/2013	5.532	2,000,000	20/12/2013 – 24/05/2017	*(6)*
Dr. Cui Di	07/11/2011	3.560	300,000	11/11/2011 – 24/05/2017	*(4)*
	19/12/2012	4.060	800,000	19/12/2012 – 24/05/2017	*(5)*
	20/12/2013	5.532	1,800,000	20/12/2013 – 24/05/2017	*(6)*
Mr. Cheung Wing Yui, Edward	19/12/2007	8.040	500,000	17/01/2008 – 24/05/2017	*(1)*
	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	*(2)*
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	*(4)*
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	*(5)*
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	*(6)*
Dr. Chan Ching Har, Eliza	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	*(2)*
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	*(4)*
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	*(5)*
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	*(6)*
Dr. Cheng Hon Kwan	19/12/2007	8.040	500,000	17/01/2008 – 24/05/2017	*(1)*
	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	*(2)*
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	*(4)*
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	*(5)*
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	*(6)*
Mr. Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	*(2)*
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	*(4)*
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	*(5)*
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	*(6)*

Name of Director	Date of grant	Exercise price per share *HK$*	Number of share options Held as at the Latest Practicable Date	Exercise Period	*Notes*
Ms. Ng Yi Kum, Estella	03/12/2010	6.070	300,000	03/12/2010 – 24/05/2017	*(3)*
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	*(4)*
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	*(5)*
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	*(6)*
Mr. Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	*(6)*

Notes:

1. Pursuant to the Share Option Scheme, a total of 11,900,000 share options were granted on 19 December 2007 and accepted by the grantees on 17 January 2008, with an exercise price of HK$8.040 and are exercisable from 17 January 2008 to 24 May 2017.

2. Pursuant to the Share Option Scheme, a total of 14,200,000 share options were granted on 16 December 2009 and accepted by the grantees on the same day, with an exercise price of HK$5.750 and are exercisable from 16 December 2009 to 24 May 2017.

3. Pursuant to the Share Option Scheme, a total of 300,000 share options were granted on 3 December 2010 and accepted by the grantee on the same day, with an exercise price of HK$6.070 and are exercisable from 3 December 2010 to 24 May 2017.

4. Pursuant to the Share Option Scheme, a total of 16,800,000 share options were granted on 7 November 2011 and accepted by the grantees on 11 November 2011, with an exercise price of HK$3.560 and are exercisable from 11 November 2011 to 24 May 2017.

5. Pursuant to the Share Option Scheme, a total of 18,800,000 share options were granted on 19 December 2012 and accepted by the grantees on the same day, with an exercise price of HK$4.060 and are exercisable from 19 December 2012 to 24 May 2017.

6. Pursuant to the Share Option Scheme, a total of 13,750,000 share options were granted on 20 December 2013 and accepted by the grantees on the same day, with an exercise price of HK$5.532 and are exercisable from 20 December 2013 to 24 May 2017.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); (ii) were required to be entered in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were also directors or employees of a company which had an interest or short position in the shares or 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:

Name of Director	Name of company	Position
Mr. Zeng Xiaoping	Tsinlien Investment	Director
	Tsinlien	Director
Mr. Wang Zhiyong	Tsinlien Investment	Director
	Tsinlien	Director
Dr. Cui Di	Tsinlien Investment	Director
	Tsinlien	Director

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons or corporations (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital, or, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital:

Name of Shareholder	*Notes*	Capacity	Number of shares held	Approximate percentage of total issued shares
Tsinlien Investment	*1&2*	Interest of controlled corporation	673,219,143	62.76%
Bohai	*1&2*	Interest of controlled corporation	673,219,143	62.76%
Tianjin Pharmaceutical	*1&2*	Interest of controlled corporation	673,219,143	62.76%
Tsinlien	*1&3*	Directly beneficially owned and interest of controlled corporation	673,219,143	62.76%

Notes:

1. All interests stated above represent long positions.

2. Tsinlien is a direct wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a direct wholly-owned subsidiary of Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment. By virtue of the SFO, Tsinlien Investment, Bohai and Tianjin Pharmaceutical are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.

3. As at the Latest Practicable Date, Tsinlien directly held 22,420,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited held 568,017,143 shares, 2,022,000 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there were no other persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or 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, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS

As Mr. Zeng Xiaoping and Mr. Wang Zhiyong, executive Directors, are also directors of Tsinlien, and Dr. Cui Di, executive Director, is also a director of both Golden Tripod and Tsinlien, all of them are regarded as having a material interest in the Acquisition and the transactions contemplated under the Agreement.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested, whether directly or indirectly, in any contract or arrangement which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

7. LITIGATIONS

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

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates were appointed to represent the interests of the Company and/or the Group.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

10. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given their opinions and advice, which are included in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified Public Accountants
Investec	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Vigers	professional surveyor and valuer

The letters and recommendations given by Deloitte, Investec and Vigers are given as at the date of this circular for incorporation herein. Each of Deloitte, Investec and Vigers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Deloitte, Investec and Vigers did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Deloitte, Investec and Vigers did not have any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and which are or may be material:

(a) the Agreement; and

(b) the sale and purchase agreement dated 5 May 2014 entered into between the Company as vendor and Tsinlien as purchaser in relation to the disposal by the Company to Tsinlien of the entire issued share capital of Famous Ever Group Limited at a consideration of HK$890,000,000 (subject to upward adjustment where applicable).

12. GENERAL

(a) The registered office of the Company is at Suites 7–13, 36/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Mr. Tuen Kong, Simon, who holds a master's degree in business management and is also the chief financial officer of the Company.

(d) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2013 and 31 December 2014;

(c) the material contracts referred to in the section headed "*Material Contracts*" of this appendix;

(d) the letter from the Independent Board Committee, the text of which is set out on page 21 of this circular;

(e) the letter from Investec, the text of which is set out on pages 22 to 45 of this circular;

(f) the accountants' report of Thrive Leap, the text of which is set out on pages II-1 to II-62 of this circular;

(g) the accountants' report of Jinhao, the text of which is set out on pages III-1 to III-62 of this circular;

(h) the report from Deloitte on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out on pages IV-1 to IV-8 of this circular;

(i) the business valuation report from Vigers as set out on pages VI-1 to VI-15 of this circular;

(j) the letters of consent referred to in the section headed "*Qualifications and Consents of Experts*" of this appendix; and

(k) this circular.

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tianjin Development Holdings Limited (天津發展控股有限公司) (the "**Company**") will be held at Salon 4, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 9 September 2015 (Wednesday) at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 22 July 2015 entered into among Century Promise Limited as purchaser, Golden Tripod Holdings Limited as vendor, Tsinlien Group Company Limited (津聯集團有限公司) and Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) as vendor's guarantors in relation to the acquisition of 67% of the issued share capital of Thrive Leap Limited by Century Promise Limited from Golden Tripod Holdings Limited (the "**Agreement**", a copy of which has been produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign, execute, perform and deliver all such other instruments, deeds, documents and agreements and do such acts or things and take all such steps as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Agreement and the transactions contemplated thereunder or to be incidental to, ancillary to or in connection with the matters contemplated therein, including agreeing and making any modifications, amendments or variations to or waivers or extensions of the Agreement and the transactions contemplated thereunder as may be necessary or appropriate."

By order of the Board
Tianjin Development Holdings Limited
Zeng Xiaoping
Chairman

Hong Kong, 21 August 2015

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his/her stead. A proxy may not be a member of the Company.

(2) In order to be valid, the completed form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be deposited at the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.

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

(4) The resolution set out in this notice will be decided by poll.

(5) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the board of directors of the Company consists of Mr. Zeng Xiaoping, Mr. Wang Zhiyong, Mr. Tuen Kong, Simon, Dr. Cui Di, Ms. Zhang Lili, Dr. Yang Chuan, Mr. Cheung Wing Yui, Edward, Dr. Chan Ching Har, Eliza*, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander**, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter** and Dr. Loke Yu**.*

* *non-executive director*
** *independent non-executive director*