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 **Tianda Holdings Limited** (the "Company"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

天大控股有限公司
TIANDA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

MAJOR AND CONNECTED TRANSACTIONS AND PROPOSED CHANGE OF COMPANY NAME

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

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A letter from independent committee of the board of directors (the "Independent Board Committee") of the Company is set out on page 48 to 49 of this circular. A letter from Bridge Partners to the Independent Board Committee and the Independent Shareholders is set out on page 50 to 85 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Suites 2405–2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on 22 June 2012 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting if you so wish.

30 May 2012

CONTENTS

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

"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Bridge Partners"	Bridge Partners Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal
"Business Day"	any day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
"CCP Agreement"	the agreement dated 30 March 2012 and entered into between the Company and Tianda Group in relation to the sale and purchase of the CCP Sale Shares and the CCP Sale Loan
"CCP Completion"	completion of the sale and purchase of the CCP Sale Shares and the CCP Sale Loan in accordance with the terms and conditions of the CCP Agreement
"CCP Consideration"	the consideration to be satisfied by Tianda Group to the Company for the sale and purchase of the CCP Sale Shares and the CCP Sale Loan
"CCP Disposal"	the proposed disposal of the CCP Sale Shares and the CCP Sale Loan by the Company subject to and upon the terms and conditions of the CCP Agreement
"CCP Sale Loan"	all obligations, liabilities and debts owing or incurred by Cheng Cheng Printing to the Company on or at any time prior to CCP Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on CCP Completion, which as at 31 December 2011 amounted to approximately HK$100,813,000
"CCP Sale Shares"	10,000 shares of US$1.00 each in the share capital of Cheng Cheng Printing, which is legally and beneficially owned by the Company

"Cheng Cheng Printing"	Cheng Cheng Printing Limited, a company incorporated in the British Virgin Islands with limited liability
"Cheng Cheng Printing Group"	Cheng Cheng Printing and its subsidiaries
"Company"	Tianda Holdings Limited, a company incorporated in the Cayman Islands with limited liability the issued shares of which are listed on the main board of the Stock Exchange
"connected person"	has the meaning ascribed to it in the Listing Rules
"Debt Restructuring"	the restructuring of the debt due by each of Tianda Pharmaceuticals (HK) and Tianda Biotech to Tianda Group, which as at 28 March 2012, amounted to approximately HK$102,536,000 and approximately HK$50,347,000 respectively, upon completion of which all obligations, liabilities and debts owing or incurred by Tianda Pharmaceuticals (HK) and Tianda Biotech to Tianda Group will be novated to Tianda Pharmaceuticals
"Director(s)"	the director(s) of the Company
"Disposal Groups"	Tianda Yunnan Group, Heroway Group, Cheng Cheng Printing Group and Yunyu Holdings Group
"EGM"	the extraordinary general meeting of the Company to be held at Suites 2405–2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on 22 June 2012 at 10:00 a.m. and convened for the purpose of considering and, if thought fit, approving each of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement, the YH Agreement, the Proposed Change of Company Name and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the TP Acquisition after completion
"Group"	the Company and its subsidiaries
"Heroway"	Heroway Limited, a company incorporated in the British Virgin Islands with limited liability
"Heroway Group"	Heroway and its subsidiaries

"HL Agreement"	the agreement dated 30 March 2012 and entered into between the Company and Tianda Group in relation to the sale and purchase of the HL Sale Share and the HL Sale Loan
"HL Completion"	completion of the sale and purchase of the HL Sale Share and the HL Sale Loan in accordance with the terms and conditions of the HL Agreement
"HL Consideration"	the consideration to be satisfied by Tianda Group to the Company for the sale and purchase of the HL Sale Share and the HL Sale Loan
"HL Disposal"	the proposed disposal of the HL Sale Share and the HL Sale Loan by the Company subject to and upon the terms and conditions of the HL Agreement
"HL Sale Loan"	all obligations, liabilities and debts owing or incurred by Heroway to the Company on or at any time prior to HL Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on HL Completion, which as at 31 December 2011 amounted to approximately HK$4,607,000
"HL Sale Share"	one share of US$1.00 in the share capital of Heroway, which is legally and beneficially owned by the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hongta"	紅塔煙草(集團)有限責任公司 (Hongta Tobacco (Group) Limited#), a state-owned enterprise established in Yunnan Province, the PRC and holding (i) the entire equity interest of Yunnan Hongta; and (ii) approximately 92.28% interest in the issued share capital of South Hong
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders as to the fairness and reasonableness of the TP Acquisition, the CCP Disposal, the YH Disposal, the TMY Disposal and the HL Disposal

"Independent Shareholders"	Shareholders which are not required to abstain from voting at the general meeting of the Company to approve the TP Agreement, the CCP Agreement, the YH Agreement, the TMY Agreement, the HL Agreement and the transactions contemplated thereunder
"Latest Practicable Date"	25 May 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Fang"	Mr. Fang Wen Quan, an executive Director
"PRC"	the People's Republic of China
"Proposed Change of Company Name"	the proposed change of the name of the Company from "Tianda Holdings Limited" to "Tianda Pharmaceuticals Limited" and its Chinese name "天大控股有限公司" be changed to "天大藥業有限公司" and be adopted as the dual foreign name of the Company
"Reorganisation"	the reorganisation to be conducted prior to TP Completion, upon completion of which, (i) Tianda Pharmaceuticals will directly hold the entire issued share capital of Tianda Pharmaceuticals (HK); (ii) Tianda Pharmaceuticals (HK) will directly hold the entire issued share capital of Tianda Pharmaceuticals (Australia) Pty. Limited; (iii) Tianda Pharmaceuticals (HK) will directly hold 51% of the registered and paid up capital of 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited#); (iv) Tianda Pharmaceuticals will directly hold the entire issued share capital of Tianda Biotech; (v) Tianda Biotech will directly hold the entire registered and paid up capital of 天大藥業（中國）有限公司 (Tianda Pharmaceuticals (China) Limited#); and (vi) 天大藥業（中國）有限公司 (Tianda Pharmaceuticals (China) Limited#) will directly hold 49% of the registered and paid up capital of 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited#)
"Resulting Group"	the Group as a result of TP Completion, TMY Completion, HL Completion, CCP Completion and YH Completion

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.10 each in the capital of the Company
"South Hong"	South Hong Investment Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to approximately (i) 92.28% by Hongta, (ii) 3.43% by Mr. Fang and (iii) 4.29% by an independent third party
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianda Biotech"	Tianda Biotech Limited, a company incorporated in Hong Kong with limited liability
"Tianda Biotech Group"	Tianda Biotech, its subsidiary and its associated company
"Tianda Group"	Tianda Group Limited, a company incorporated in Hong Kong with limited liability
"Tianda Pharmaceuticals"	Tianda Pharmaceuticals Limited, a company incorporated in the British Virgin Islands with limited liability
"Tianda Pharmaceuticals (HK)"	Tianda Pharmaceuticals Limited, a company incorporated in Hong Kong with limited liability
"Tianda Pharmaceuticals (HK) Group"	Tianda Pharmaceuticals (HK) and its subsidiaries
"Tianda Pharmaceuticals Group"	Tianda Pharmaceuticals and its subsidiaries, upon completion of the Reorganisation
"Tianda Yunnan"	Tianda Mining (Yunnan) Limited, a company incorporated in Hong Kong with limited liability
"Tianda Yunnan Group"	Tianda Yunnan and its subsidiary
"TMY Agreement"	the agreement dated 30 March 2012 and entered into between the Company and Tianda Group in relation to the sale and purchase of the TMY Sale Shares

"TMY Completion"	completion of the sale and purchase of the TMY Sale Shares in accordance with the terms and conditions of the TMY Agreement
"TMY Consideration"	the consideration to be satisfied by Tianda Group to the Company for the sale and purchase of the TMY Sale Shares
"TMY Debt"	all obligations, liabilities and debts owing or incurred by the Company to Tianda Yunnan on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on TMY Completion, which as at 31 December 2011 amounted to approximately HK$948,000
"TMY Disposal"	the proposed disposal of the TMY Sale Shares by the Company subject to and upon the terms and conditions of the TMY Agreement
"TMY Sale Shares"	51 shares of HK$1.00 each in the share capital of Tianda Yunnan, which is legally and beneficially owned by the Company
"TP Acquisition"	the proposed acquisition of the TP Sale Shares and the TP Sale Loan by the Company subject to and upon the terms and conditions of the TP Agreement
"TP Agreement"	the agreement dated 30 March 2012 and entered into between the Company and Tianda Group in relation to the sale and purchase of the TP Sale Shares and the TP Sale Loan
"TP Completion"	completion of the sale and purchase of the TP Sale Shares and the TP Sale Loan in accordance with the terms and conditions of the TP Agreement
"TP Consideration"	the consideration to be satisfied by the Company to Tianda Group for the sale and purchase of the TP Sale Shares and the TP Sale Loan
"TP Sale Loan"	all obligations, liabilities and debts owing or incurred by Tianda Pharmaceuticals to Tianda Group on or at any time prior to TP Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on TP Completion upon completion of the Debt Restructuring, which as at 31 December 2011 amounted to approximately HK$158,294,000

"TP Sale Shares"	100 shares of US$1.00 each in the share capital of Tianda Pharmaceuticals, which is legally and beneficially owned by Tianda Group
"YH Agreement"	the agreement dated 30 March 2012 and entered into between the Company and Tianda Group in relation to the sale and purchase of the YH Sale Shares and the YH Sale Loan
"YH Completion"	completion of the sale and purchase of the YH Sale Shares and the YH Sale Loan in accordance with the terms and conditions of the YH Agreement
"YH Consideration	the consideration to be satisfied by Tianda Group to the Company for the sale and purchase of the YH Sale Shares and the YH Sale Loan
"YH Disposal"	the proposed disposal of the YH Sale Shares and the YH Sale Loan by the Company subject to and upon the terms and conditions of the YH Agreement
"YH Sale Loan"	all obligations, liabilities and debts owing or incurred by Yunyu Holdings to the Company on or at any time prior to YH Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on YH Completion, which as at 31 December 2011 amounted to approximately HK$25,036,000
"YH Sale Shares"	two shares of HK$1.00 each in the share capital of Yunyu Holdings, which is legally and beneficially owned by the Company
"Yunnan Hongta"	雲南紅塔集團有限責任公司 (Yunnan Hongta Group Limited#), a wholly-owned subsidiary of Hongta which is a state-owned enterprise established in Yunnan Province
"Yunyu Bio-Pharmaceutical"	Yunyu Bio-Pharmaceutical Company Limited, a company incorporated in the British Virgin Islands with limited liability
"Yunyu Bio-Pharmaceutical Group"	Yunyu Bio-Pharmaceutical and its subsidiary
"Yunyu Holdings"	Yunyu Holdings Limited, a company incorporated in Hong Kong with limited liability

"Yunyu Holdings Group	Yunyu Holdings, its associated company and its investee company
"Zhuhai Cheng Cheng"	珠海經濟特區誠成印務有限公司 (Zhuhai Special Economic Zone Cheng Cheng Printing Company Limited#), a company established in the PRC with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America

The English translation of Chinese names or words in this circular, where indicated, are included for information purposes only, and should not be regarded as the official English translation of such Chinese names or words.

天大控股有限公司
TIANDA HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00455)

Executive Directors:
Mr. FANG Wen Quan
(Chairman and Managing Director)
Mr. LI Suiming
Mr. LIU Huijiang

Independent non-executive Directors:
Mr. CHIU Sung Hong
Mr. CHIU Fan Wa
Mr. LAM Yat Fai

Registered office:
Windward 1
Regatta Office Park
West Bay Road
Grand Cayman
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Suites 2405–2410, 24th Floor
CITIC Tower
No. 1 Tim Mei Avenue
Central
Hong Kong

30 May 2012

To the Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTIONS AND PROPOSED CHANGE OF COMPANY NAME

INTRODUCTION

Reference is made to the announcement of the Company dated 30 March 2012 in which the Board announced that:

(a) on 30 March 2012, Tianda Group and the Company entered into the following agreements:

(i) the TP Agreement, pursuant to which the Company has agreed to purchase and Tianda Group has agreed to sell the TP Sale Shares and the TP Sale Loan for a total consideration of HK$380,000,000;

(ii) the TMY Agreement, pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the TMY Sale Shares for a total consideration of HK$10,800,000;

(iii) the HL Agreement, pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the HL Sale Share and the HL Sale Loan for a total consideration of HK$3,400,000;

(iv) the CCP Agreement, pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the CCP Sale Shares and the CCP Sale Loan for a total consideration of HK$233,000,000;

(v) the YH Agreement, pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the YH Sale Shares and the YH Sale Loan for a total consideration of HK$55,000,000; and

(b) the Company proposed to change its name from "Tianda Holdings Limited" to "Tianda Pharmaceuticals Limited" and its Chinese name "天大控股有限公司" be changed to "天大藥業有限公司" and be adopted as the dual foreign name.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the TP Acquisition exceed 25%, the TP Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Tianda Group is interested in approximately 63.50% of the issued share capital of the Company and is a connected person of the Company. As such, the TP Acquisition also constitutes a non-exempted connected transaction on the part of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal when aggregated constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules. The TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal when aggregated also constitute a non-exempted connected transaction on the part of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with further information regarding (i) the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal and to seek approval from the Shareholders for the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal, the YH Disposal and the transactions contemplated thereunder, including but not limited to the entering into each of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement, and (ii) the Proposed Change of Company Name.

THE TP ACQUISITION

The TP Agreement

Date	:	30 March 2012 (after trading hours of the Stock Exchange)
Parties	:	(1) Tianda Group, as vendor
		(2) the Company, as purchaser

Tianda Group is interested in approximately 63.50% of the issued share capital of the Company and is a connected person of the Company.

Asset to be acquired

Pursuant to the TP Agreement, Tianda Group has agreed to sell and the Company has agreed to acquire: (i) the TP Sale Shares, representing the entire issued share capital of Tianda Pharmaceuticals as at the Latest Practicable Date; and (ii) the TP Sale Loan. As at 31 December 2011, the TP Sale Loan amounted to approximately HK$158,294,000.

Consideration

The consideration of HK$380,000,000 for the sale and purchase of the TP Sale Shares and the TP Sale Loan shall be settled by the Company at TP Completion in the following manner:

(a) as to HK$10,800,000 shall be satisfied by the Company by setting off such amount against the TMY Consideration;

(b) as to HK$3,400,000 shall be satisfied by the Company by setting off such amount against the HL Consideration;

(c) as to HK$233,000,000 shall be satisfied by the Company by setting off such amount against the CCP Consideration;

(d) as to HK$55,000,000 shall be satisfied by the Company by setting off such amount against the YH Consideration; and

(e) as to HK$77,800,000 shall be paid by the Company to Tianda Group in cash.

The TP Consideration was determined with reference to (i) business outlook and future prospects of Tianda Pharmaceuticals Group; (ii) the prospects of the pharmaceutical industry in the PRC; (iii) synergies and benefits brought about to the Group's existing pharmaceutical and biotechnology business; and (iv) the financial position and profitability of Tianda Pharmaceuticals Group. The growth of the PRC's gross domestic product has led to the general improvement of living standards and disposable income of its people. According to the website of the National Bureau of Statistics of China, the PRC's gross domestic product per capita grew from RMB16,500 in 2006 to RMB29,992 in 2010. There is also an increase in the life expectancy and people are becoming more conscious of health. Moreover, the pharmaceutical industry is one of the named industries that will be supported by government policies in the Twelfth Five-Year Plan for National Economic and Social Development of the PRC. Therefore, it is expected all of the above mentioned factors will be beneficial to the future of the pharmaceutical industry in the PRC. Tianda Pharmaceuticals Group, being one of the participants in the pharmaceutical industry, also benefits from the above mentioned factors and has seen its revenue and profits increased during the past three years from 2009 to 2011. Its revenue grew approximately 18.1%, from approximately HK$65.1 million in 2009 to approximately HK$76.9 million in 2010, followed by a growth of approximately 24.2% to approximately HK$95.4 million in 2011. It turned around to a profit after tax of approximately HK$1.4 million in 2010 from a loss of approximately HK$2.9 million in 2009. The profit after tax grew further by almost three times to approximately HK$5.4 million in 2011. With the favorable development of the industry and the track record of Tianda Pharmaceuticals Group, it is expected that the TP Acquisition will contribute positively towards the revenue and profit of the Group. Moreover, Tianda Pharmaceuticals Group has a distribution network supported by more than a hundred sale and marketing staff as well as a well-established research and development team. This could bring synergy effect with and advantages to the Group's existing pharmaceutical and biotechnology business, such as sharing of research expertise and wider coverage of sale network for the Group's existing pharmaceutical products. It should be noted that the operation of Tianda Pharmaceuticals Group has been heavily funded in the form of shareholder's loans, as opposed to capital, contributed by Tianda Group. Therefore, apart from the TP Sale Shares, the TP Consideration also covers the acquisition of the TP Sale Loan, which represents the entire aggregate amount of shareholder's loans contributed by Tianda Group in order to finance the operation and growth of Tianda Pharmaceuticals Group to its present level. Taking into account of the amount of the TP Sale Loan of approximately HK$158.29 million and the net asset value of Tianda Pharmaceuticals Group of approximately HK$15.59 million as at 31 December 2011, the TP Consideration of HK$380 million exceeds these amounts by approximately HK$206.12 million. Such amount represents the premium paid in purchasing a profitable business which has demonstrated growth in its revenue and profit over the past three years and operating in an industry with prospective future, an established sale network in the PRC with over a hundred sale representatives, an experienced research and development team, a diversified range of marketable products as well as a modernised production base with adequate space for future expansion.

The TP Consideration was arrived at after arm's length negotiations between Tianda Group and the Company. The Directors (excluding the independent non-executive Directors) consider that the terms and conditions of the TP Agreement (including the TP Consideration and the basis of determining the TP Consideration) are fair and reasonable and on normal commercial terms and the TP Acquisition is in the interests of the Company and the Shareholders as a whole.

The cash portion of the TP Consideration will be paid by the Group from its internal resources.

Conditions

TP Completion shall be conditional upon:

(a) the Company being satisfied with the results of the due diligence review to be conducted under the TP Agreement;

(b) the passing by the Independent Shareholders at EGM of the Company to be convened and held of an ordinary resolution to approve, among others, the TP Agreement and the transactions contemplated thereunder;

(c) all necessary consents, licenses and approvals required to be obtained on the part of Tianda Group in respect of the TP Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(d) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the TP Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(e) warranties given by Tianda Group under the TP Agreement remaining true, accurate and not misleading;

(f) the PRC legal opinion (in form and substance satisfactory to the Company) to be issued by a firm of PRC legal advisers acceptable to the Company covering such matters which are relevant to the TP Agreement and the transactions contemplated thereunder having been obtained;

(g) completion of the Reorganisation;

(h) the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement having become unconditional (other than the condition for the TP Agreement to become unconditional); and

(i) completion of the Debt Restructuring.

The Company may waive condition (a) and (e) above. Conditions (b), (c), (d), (f), (g), (h) and (i) are incapable of being waived. If the conditions have not been fulfilled (or waived by the Company as the case may be) on or before 12:00 noon on 30 June 2012, or such later date as the Company and Tianda Group may agree, the TP Agreement shall cease and determine, and neither party to the TP Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

TP Completion

TP Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment (or waiver) of the conditions. TP Completion shall take place contemporaneously with TMY Completion, HL Completion, CCP Completion and YH Completion.

Profit guarantee

Tianda Group irrevocably warrants and guarantees to the Company that the unaudited consolidated net profits after taxation of Tianda Pharmaceuticals Group will not be less than HK$18,500,000 for the period commencing from the first day of first month immediately after the date of TP Completion to the date falling 12 months after such date. If the actual unaudited consolidated net profit after taxation of Tianda Pharmaceuticals Group is less than HK$18,500,000, then Tianda Group shall pay to the Company in cash for the shortfall on a dollar to dollar basis. In the event Tianda Pharmaceuticals Group having made a loss during the relevant period, the maximum amount of compensation payable will be HK$18,500,000.

The Company will publish an announcement in accordance with rule 2.17C if the unaudited consolidated net profits after taxation of Tianda Pharmaceuticals Group is less than the amount guaranteed and will include details in its next published annual report and accounts of the Company.

The independent non-executive directors of the Company will provide an opinion in the Company's next published annual report and accounts as to whether Tianda Group has fulfilled its obligations under the guarantee.

Information on Tianda Pharmaceuticals Group

Tianda Pharmaceuticals was incorporated on 11 May 2011 and is principally engaged in investment and development of pharmaceutical and biotechnology business. Upon completion of the Reorganisation, Tianda Pharmaceuticals will hold Tianda Pharmaceuticals (HK) Group and Tianda Biotech Group. Tianda Pharmaceuticals (HK) Group and Tianda Biotech Group are principally engaged in research, development, production and sales of pharmaceutical and health supplement products in Hong Kong, the PRC and Australia.

天大藥業(珠海)有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited#) is the production base and research and development centre for Tianda Pharmaceuticals Group. It occupies a total area of approximately 52,400 square metres and is located in Zhuhai. There are five workshops which include pre-treatment of Chinese herbal medicines workshop, Chinese medicines extraction workshop, tablets and capsules workshop, granules workshop and oral liquid workshop. It has obtained the certificate of good manufacturing practice from the State Food and Drug Administration in the PRC for the manufacture of pharmaceutical products in tablets, capsules, oral solutions, syrup, suspension, drops and granules. It also complies with the requirements of the Australian Code of Good Manufacturing Practice for Medicinal Products. Its products include

Chinese medicines for treatment of drug abusers and lowering cholesterol, pediatric drugs for treatment of fever, pain, flu and cough, anti-hypertension drugs, antiviral drugs, flu relief drugs as well as health supplement products.

The other companies comprising Tianda Pharmaceuticals Group are either principally engaged in investment holdings or the sales and distribution of pharmaceutical and health supplement products.

Tianda Pharmaceuticals (HK) acquired 60% of the equity interests in 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited#) in 2001. Tianda Pharmaceuticals (HK) subsequently disposed 9% of the equity interests in 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited#). The net acquisition cost of 51% of the equity interest in 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited#) is approximately HK$158,056,000.

天大藥業（中國）有限公司 (Tianda Pharmaceuticals (China) Limited#) acquired 49% of the equity interests in 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited#) in 2008 for approximately HK$21,187,000.

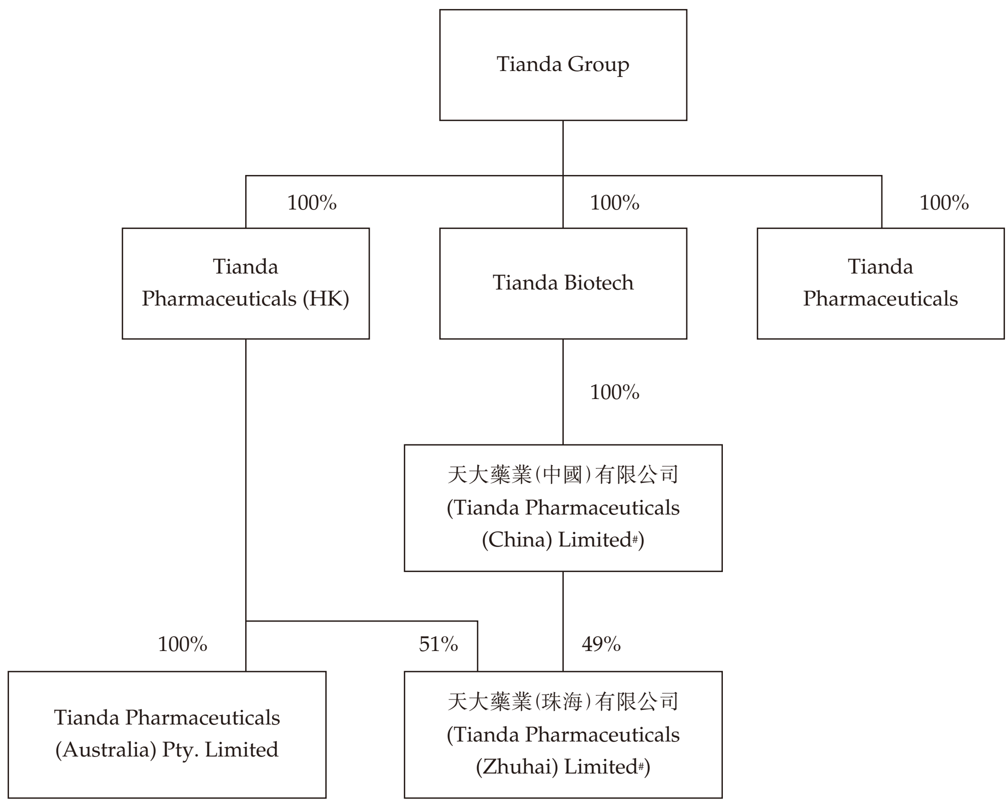
Set out below is a summary of financial information relating to Tianda Pharmaceuticals Group as if completion of the Reorganisation has taken place, according to the accountant's report on Tianda Pharmaceuticals Group as set out in Appendix II to this circular.

	Tianda Pharmaceuticals Group *HK$*
Year ended 31 December 2010	
Net profit before tax	1,363,000
Net profit after tax	1,363,000
Year ended 31 December 2011	
Net profit before tax	5,433,000
Net profit after tax	5,433,000
Consolidated net asset value as at 31 December 2011	15,593,000

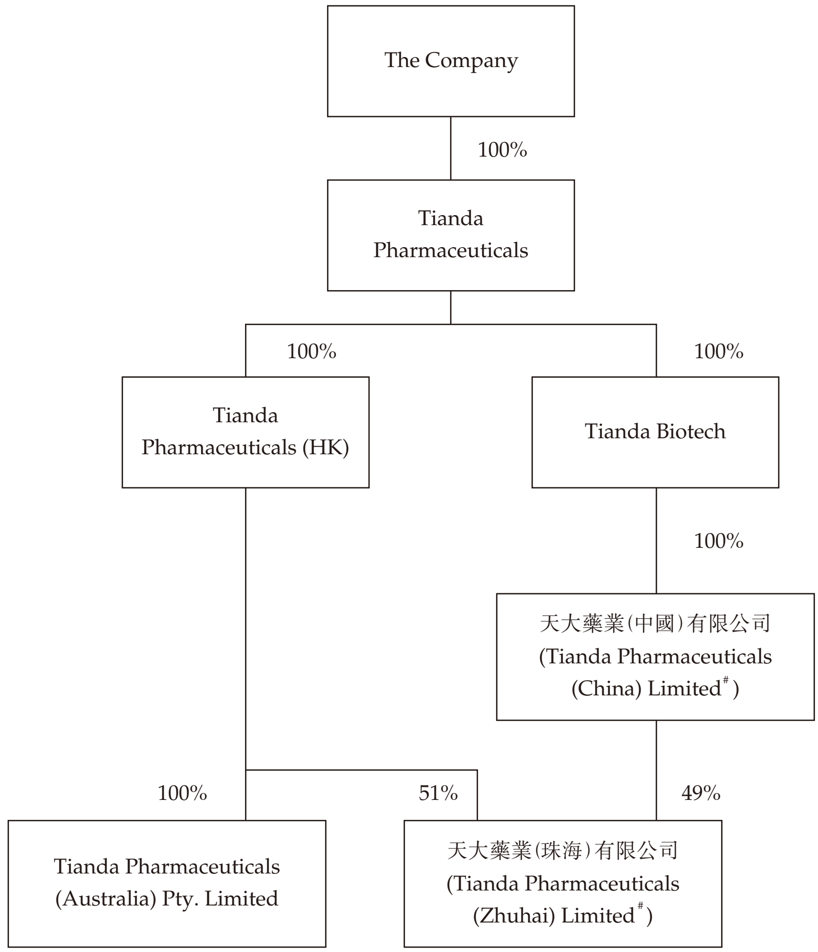
Group structure

The following charts show the shareholding structure of companies comprising Tianda Pharmaceuticals Group as at the Latest Practicable Date and immediately after TP Completion:

As at the Latest Practicable Date



Immediately after TP Completion



THE TMY DISPOSAL

The TMY Agreement

Date	:	30 March 2012 (after trading hours of the Stock Exchange)
Parties	:	(1) the Company, as vendor
		(2) Tianda Group, as purchaser

Asset to be disposed

Pursuant to the TMY Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire the TMY Sale Shares, representing 51% of the issued share capital of Tianda Yunnan as at the Latest Practicable Date.

Consideration

The consideration of HK$10,800,000 for the sale and purchase of the TMY Sale Shares shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at TMY Completion. The TMY Consideration represents a deficit of HK$2,447,000 under the consolidated net asset value of Tianda Yunnan Group as at 30 September 2011.

The TMY Consideration was determined with reference to the net asset value of Tianda Yunnan Group of approximately HK$10.4 million as at 31 December 2011. The TMY Consideration was arrived at after arm's length negotiations between the Company and Tianda Group. Based on the above, the Directors (excluding the independent non-executive Directors) consider that the terms and conditions of the TMY Agreement (including the TMY Consideration and the basis of determining the TMY Consideration) are fair and reasonable and on normal commercial terms and the TMY Disposal is in the interests of the Company and the Shareholders as a whole as Tianda Yunnan Group has been loss making and has yet to generate any revenue for the Group.

Conditions

TMY Completion shall be conditional upon:

(a) the passing by the Independent Shareholders at EGM of the Company to be convened and held of an ordinary resolution to approve, among others, the TMY Agreement and the transactions contemplated thereunder;

(b) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the TMY Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(c) all necessary consents, licenses and approvals required to be obtained on the part of Tianda Group in respect of the TMY Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(d) warranties given by the Company under the TMY Agreement remaining true, accurate and not misleading;

(e) warranties given by Tianda Group under the TMY Agreement remaining true, accurate and not misleading;

(f) the TP Agreement, the HL Agreement, the CCP Agreement and the YH Agreement having become unconditional (other than the condition for the TMY Agreement to become unconditional); and

(g) repayment of the TMY Debt in full by the Company.

The Company may waive condition (e) above. Tianda Group may waive condition (d) above. Conditions (a), (b), (c), (f) and (g) are incapable of being waived. If the conditions have not been fulfilled (or waived by the Company or Tianda Group as the case may be) on or before 12:00 noon on 30 June 2012, or such later date as the Company and Tianda Group may agree, the TMY Agreement shall cease and determine, and neither party to the TMY Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

TMY Completion

TMY Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment (or waiver) of the conditions. TMY Completion shall take place contemporaneously with TP Completion, HL Completion, CCP Completion and YH Completion. Tianda Group may nominate its wholly owned subsidiary to hold the TMY Sale Shares upon TMY Completion.

Tianda Yunnan will cease to be a subsidiary of the Company upon TMY Completion.

Information on Tianda Yunnan Group

Tianda Yunnan is principally engaged in investment and development of mining and energy business and its subsidiary is principally engaged in exploration and development of mineral resources in Yunnan Province, the PRC.

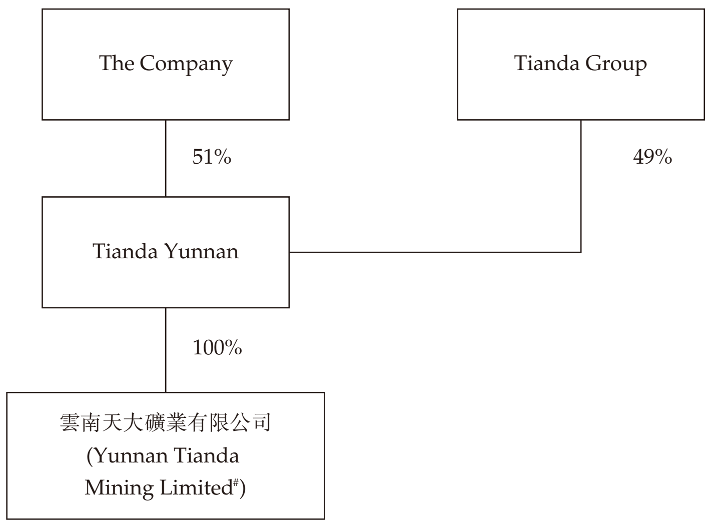
Set out below is a summary of financial information on Tianda Yunnan Group based on its unaudited management accounts prepared in accordance with Hong Kong Financial Reporting Standards.

	HK$
Year ended 31 March 2010	
Net loss before tax	(1,507,000)
Net loss after tax	(1,507,000)
Year ended 31 March 2011	
Net loss before tax	(2,123,000)
Net loss after tax	(2,123,000)
Consolidated net asset value as at 30 September 2011	13,247,000
Consolidated net asset value as at 31 December 2011	10,444,000

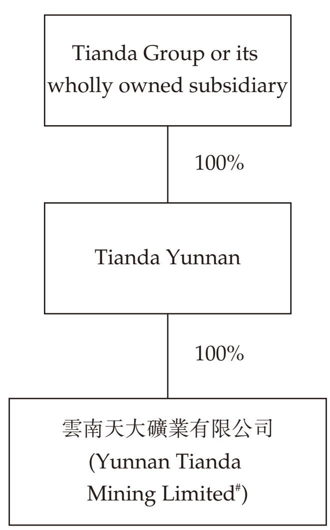
Group structure

The following charts show the shareholding structure of companies comprising Tianda Yunnan Group as at the Latest Practicable Date and immediately after TMY Completion:

As at the Latest Practicable Date



Immediately after TMY Completion



Financial effect of the TMY Disposal

It is estimated that the gain on disposal of Tianda Yunnan Group, based on the consideration of HK$10,800,000 less the net asset value of approximately HK$10,444,000 as at 31 December 2011, subject to audit, will be approximately HK$356,000. However, it should be noted that the exact amount of gain on disposal will be calculated from the relevant amounts as at TMY Completion and therefore may be different from the above amount. Such gain on disposal will be reflected in the consolidated statement of comprehensive income of the Group for the year ending 31 March 2013.

THE HL DISPOSAL

The HL Agreement

Date	:	30 March 2012 (after trading hours of the Stock Exchange)
Parties	:	(1) the Company, as vendor
		(2) Tianda Group, as purchaser

Asset to be disposed

Pursuant to the HL Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire: (i) the HL Sale Share, representing the entire issued share capital of Heroway as at the Latest Practicable Date; and (ii) the HL Sale Loan. As at 31 December 2011, the HL Sale Loan amounted to approximately HK$4,607,000.

Consideration

The consideration of HK$3,400,000 for the sale and purchase of the HL Sale Share and the HL Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at HL Completion. The HL Consideration represents an excess of HK$3,710,000 over the consolidated net liabilities of Heroway Group, excluding Yunyu Bio-Pharmaceutical Group and assuming Yunyu Bio-Pharmaceutical had already been transferred out of Heroway Group, as at 30 September 2011.

The HL Consideration was determined with reference to the net liabilities of the Heroway Group of approximately HK$1.2 million, excluding Yunyu Bio-Pharmaceutical Group assuming the entire interest of Yunyu Bio-Pharmaceutical had been transferred to the Company and the amount of the HL Sale Loan of approximately HK$4.6 million as at 31 December 2011. The HL Consideration was arrived at after arm's length negotiations between the Company and Tianda Group. Based on the above, the Directors (excluding the independent non-executive Directors) consider that the terms and conditions of the HL Agreement (including the HL Consideration and the basis of determining the HL Consideration) are fair and reasonable and on normal commercial terms and the HL Disposal is in the interests of the Company and the Shareholders as a whole as the mineral resources exploration activities have been loss making and have yet to generate any revenue for the Group.

Conditions

HL Completion shall be conditional upon:

(a) the passing by the Independent Shareholders at EGM of the Company to be convened and held of an ordinary resolution to approve, among others, the HL Agreement and the transactions contemplated thereunder;

(b) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the HL Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(c) all necessary consents, licenses and approvals required to be obtained on the part of Tianda Group in respect of the HL Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(d) warranties given by the Company under the HL Agreement remaining true accurate and not misleading;

(e) warranties given by Tianda Group under the HL Agreement remaining true, accurate and not misleading; and

(f) the TP Agreement, the TMY Agreement, the CCP Agreement and the YH Agreement having become unconditional (other than the condition for the HL Agreement to become unconditional).

The Company may waive condition (e) above. Tianda Group may waive condition (d) above. Conditions (a), (b), (c) and (f) are incapable of being waived. If the conditions have not been fulfilled (or waived by the Company or Tianda Group as the case may be) on or before 12:00 noon on 30 June 2012, or such later date as the Company and Tianda Group may agree, the HL Agreement shall cease and determine, and neither party to the HL Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

HL Completion

HL Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment (or waiver) of the conditions. HL Completion shall take place contemporaneously with TP Completion, TMY Completion, CCP Completion and YH Completion. Tianda Group may nominate its wholly owned subsidiary to hold the HL Sale Share upon HL Completion.

Heroway will cease to be a subsidiary of the Company upon HL Completion.

Information on Heroway Group

Since Yunyu Bio-Pharmaceutical Group, through its 55% equity interests in Yunnan Meng Sheng Pharmaceutical Company Limited, is principally engaged in pharmaceutical business and the Group intended to retain Yunyu Bio-Pharmaceutical Group after the completion of the HL Disposal, in contemplation of the HL Disposal and as part of the internal reorganisation of the Group prior to the HL Disposal, Heroway transferred the entire issued share capital of Yunyu Bio-Pharmaceutical, the holding company for the Group's existing pharmaceutical and biotechnology business, to the Company on 1 February 2012. After such reorganisation, Heroway and its subsidiaries are principally engaged in exploration and development of mineral resources in Gansu Province, the PRC, which will be disposed of by the Group under the HL Disposal. Yunyu Bio-Pharmaceutical will continue to be an direct wholly owned subsidiary of the Company.

Set out below is a summary of financial information on Heroway Group (including the financial information of Yunyu Bio-Pharmaceutical Group) and Yunyu Bio-Pharmaceutical Group (which remains as part of the Group) based on their respective unaudited management accounts prepared in accordance with Hong Kong Financial Reporting Standards.

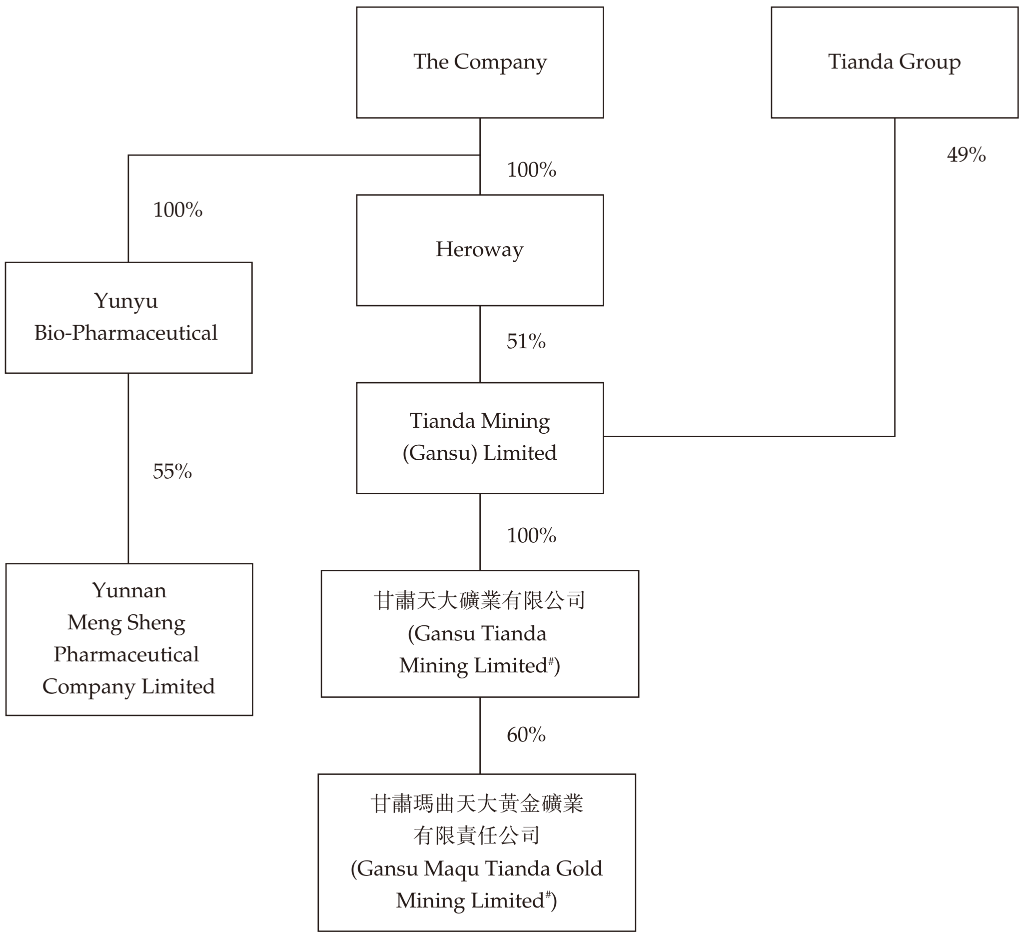
	Heroway Group *(Note)* *(HK$)*	**Yunyu Bio-Pharmaceutical Group** *(Note)* *(HK$)*
Year ended 31 March 2010		
Net profit before tax	52,687,000	52,933,000
Net profit after tax	42,676,000	42,922,000
Net profit after tax (excluding non-controlling interests)	22,533,000	22,661,000
Year ended 31 March 2011		
Net profit before tax	89,214,000	90,024,000
Net profit after tax	74,540,000	75,350,000
Net profit after tax (excluding non-controlling interests)	46,984,000	47,271,000
Consolidated net asset value as at 30 September 2011 (including non-controlling interests)	158,372,000	158,682,000
Consolidated net asset value as at 31 December 2011 (including non-controlling interests)	119,946,000	121,157,000

Note: The financial information of Heroway Group includes the financial information of Yunyu Bio-Pharmaceutical Group, which was transferred by Heroway to the Company on 1 February 2012. As at 30 September 2011 and 31 December 2011, Heroway Group had consolidated net liabilities in the amount of about HK$310,000 and HK$1,211,000 respectively if the net asset value of Yunyu Bio-Pharmaceutical Group was excluded.

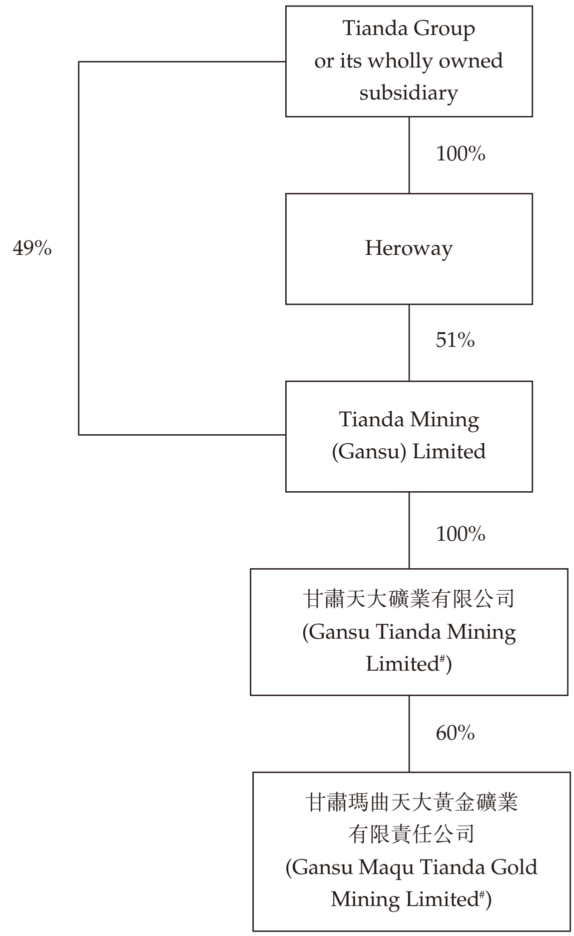
Group structure

The following charts show the shareholding structure of companies comprising Heroway Group as at the Latest Practicable Date and immediately after HL Completion:

As at the Latest Practicable Date



Immediately after HL Completion



Financial effect of the HL Disposal

It is estimated that the gain on disposal of Heroway Group, based on the consideration of HK$3,400,000 less the net liabilities (excluding the net asset value of Yunyu Bio-Pharmaceutical Group) of approximately HK$1,211,000 and the HL Sale Loan of approximately HK$4,607,000 as at 31 December 2011, subject to audit, will be approximately HK$4,000. However, it should be noted that the exact amount of gain on disposal will be calculated from the relevant amounts as at HL Completion and therefore may be different from the above amount. Such gain on disposal will be reflected in the consolidated statement of comprehensive income of the Group for the year ending 31 March 2013.

THE CCP DISPOSAL

Date	:	30 March 2012 (after trading hours of the Stock Exchange)
Parties	:	(1) the Company, as vendor
		(2) Tianda Group, as purchaser

Asset to be disposed

Pursuant to the CCP Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire: (i) the CCP Sale Shares, representing the entire issued share capital of Cheng Cheng Printing as at the Latest Practicable Date; and (ii) the CCP Sale Loan. As at 31 December 2011, the CCP Sale Loan amounted to approximately HK$100,813,000.

Consideration

The consideration of HK$233,000,000 for the sale and purchase of the CCP Sale Shares and the CCP Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at CCP Completion. The CCP Consideration represents an excess of HK$104,217,000 over the consolidated net asset value of Cheng Cheng Printing Group as at 30 September 2011.

The CCP Consideration was determined with reference to (i) business outlook and future prospects of Cheng Cheng Printing Group; (ii) valuation of AMVIG Holdings Limited which is engaged in a business similar to that of Cheng Cheng Printing Group; and (iii) the financial position and profitability of Cheng Cheng Printing Group. The packaging and printing business in the PRC is highly competitive and has been facing pressure on its profitability as a result of rising material and labour costs. The revenue contributed by Cheng Cheng Printing Group for the six months ended 30 September 2011 increased by approximately 41.2%, from approximately HK$97.1 million for the six months ended 31 March 2011 to approximately HK$137.0 million. However, the profit after tax (including non-controlling interests) increased only by approximately 7.7%, from approximately HK$16.8 million to approximately HK$18.1 million, under the corresponding periods. Moreover, gross profit ratio dropped from approximately 33.3% for the six months ended 31 March 2011 to that of approximately 27.8% for the six months ended 30 September 2011. In the determination of the CCP Consideration, since Cheng Cheng Printing Group is profitable, the price earning multiple was considered to be an appropriate method of valuation. Reference was made to the price earning multiple of about seven times for AMVIG Holdings Limited, a Hong Kong listed company which is also engaged in the packaging and printing of cigarette packs and boxes business. Based on Cheng Cheng Printing Group's unaudited net profit attributable to shareholders of approximately HK$27.13 million for the 12 months ended 31 December 2011 and the CCP Consideration of HK$233 million, the implied price earning ratio of the CCP Disposal is approximately 8.6 times. Given the above-mentioned competitive operating environment of Cheng Cheng Printing Group, the pressure on its profitability and such slightly higher price earning multiple as compared to that of AMVIG Holdings Limited, the CCP Consideration, is considered to be fair and reasonable.

The CCP Consideration was arrived at after arm's length negotiations between the Company and the Tianda Group. Based on the above, the Directors (excluding the independent non-executive Directors) consider that the terms and conditions of the CCP Agreement (including the CCP Consideration the basis of determining the CCP Consideration) are fair and reasonable and on normal commercial terms and the CCP Disposal is in the interests of the Company and the Shareholders as a whole.

Conditions

CCP Completion shall be conditional upon:

(a) the passing by the Independent Shareholders at EGM of the Company to be convened and held of an ordinary resolution to approve, among others, the CCP Agreement and the transactions contemplated thereunder;

(b) all necessary consents, licences and approvals required to be obtained on the part of the Company in respect of the CCP Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(c) all necessary consents, licences and approvals required to be obtained on the part of Tianda Group in respect of the CCP Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(d) warranties given by the Company under the CCP Agreement remaining true, accurate and not misleading;

(e) warranties given by Tianda Group under the CCP Agreement remaining true, accurate and not misleading; and

(f) the TP Agreement, the TMY Agreement, the HL Agreement and the YH Agreement having become unconditional (other than the condition for the CCP Agreement to become unconditional).

The Company may waive condition (e) above. Tianda Group may waive condition (d) above. Conditions (a), (b), (c) and (f) are incapable of being waived. If the conditions have not been fulfilled (or waived by the Company or Tianda Group as the case may be) on or before 12:00 noon on 30 June 2012, or such later date as the Company and Tianda Group may agree, the CCP Agreement shall cease and determine, and neither party to the CCP Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

CCP Completion

CCP Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment (or waiver) of the conditions. CCP Completion shall take place contemporaneously with TP Completion, TMY Completion, HL Completion and YH Completion. Tianda Group may nominate its wholly owned subsidiary to hold the CCP Sale Shares upon CCP Completion.

Cheng Cheng Printing will cease to be a subsidiary of the Company upon CCP Completion.

Information on Cheng Cheng Printing Group

Cheng Cheng Printing and its subsidiaries are principally engaged in manufacturing of packaging and printing products.

The Company, through Cheng Cheng Printing (Hong Kong) Limited, acquired 60% of the equity interests in Zhuhai Cheng Cheng from Tianda Group pursuant to an asset swap agreement dated 5 May 2010 at a consideration in the amount of HK$200,000,000. Such acquisition was completed on 1 October 2010. For further details in relation to such acquisition, please refer to the circular of the Company dated 22 June 2010.

Set out below is a summary of financial information on Cheng Cheng Printing Group based on its unaudited management accounts prepared in accordance with Hong Kong Financial Reporting Standards.

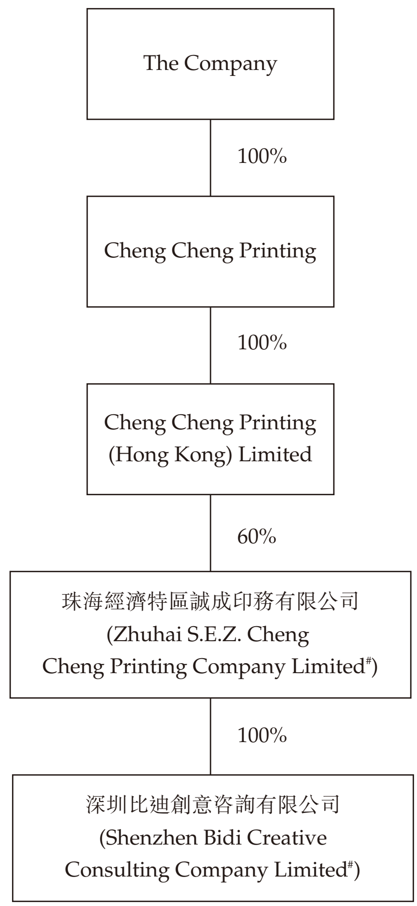
	HK$
	(Note)
Year ended 31 March 2010	
Net profit before tax	N/A
Net profit after tax	N/A
Year ended 31 March 2011	
Net profit before tax	24,608,000
Net profit after tax	20,337,000
Net profit after tax (excluding non-controlling interests)	11,779,000
Consolidated net asset value as at 30 September 2011 (including non-controlling interests)	128,783,000
Consolidated net asset value as at 31 December 2011 (including non-controlling interests)	127,793,000

Note: Cheng Cheng Printing Group was acquired by the Company on 1 October 2010. The results above only covered the period from 1 October 2010 to 31 March 2011.

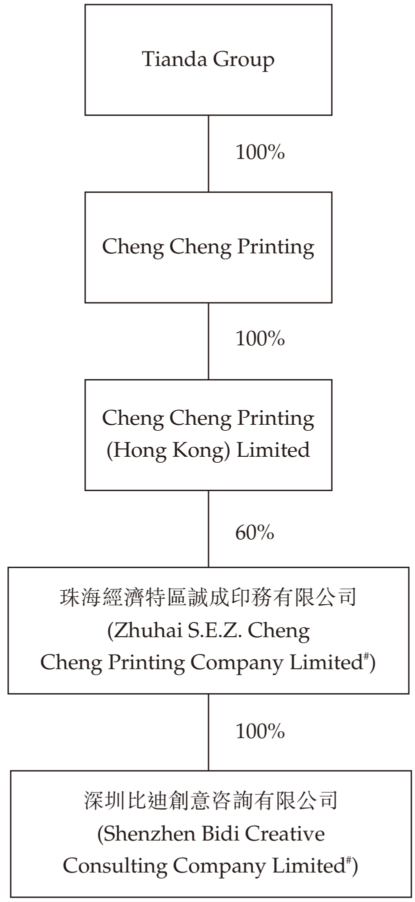
Group structure

The following charts show the shareholding structure of companies comprising Cheng Cheng Printing Group as at the Latest Practicable Date and immediately after CCP Completion:

As at the Latest Practicable Date



Immediately after CCP Completion



Financial effect of the CCP Disposal

It is estimated that the gain on disposal of Cheng Cheng Printing Group, based on the consideration of HK$233,000,000 less the net asset value of approximately HK$127,793,000 and the CCP Sale Loan of approximately HK$100,813,000 as at 31 December 2011, subject to audit, will be approximately HK$4,394,000. However, it should be noted that the exact amount of gain on disposal will be calculated from the relevant amounts as at CCP Completion and therefore may be different from the above amount. Such gain on disposal will be reflected in the consolidated statement of comprehensive income of the Group for the year ending 31 March 2013.

THE YH DISPOSAL

The YH Agreement

Date	:	30 March 2012 (after trading hours of the Stock Exchange)
Parties	:	(1) the Company, as vendor
		(2) Tianda Group, as purchaser

Asset to be disposed

Pursuant to the YH Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire: (i) the YH Sale Shares, representing the entire issued share capital of Yunyu Holdings as at the Latest Practicable Date; and (ii) the YH Sale Loan. As at 31 December 2011, the YH Sale Loan amounted to approximately HK$25,036,000.

Consideration

The consideration of HK$55,000,000 for the sale and purchase of the YH Sale Shares and the YH Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at YH Completion. The YH Consideration represents an excess of HK$31,066,000 over the consolidated net asset value of Yunyu Holdings Group as at 30 September 2011.

The YH Consideration was determined with reference to (i) business outlook and future prospects of Yunyu Holdings Group; (ii) valuation of AMVIG Holdings Limited engaged in similar industry; and (iii) the financial position and profitability of Yunyu Holdings Group. Both Yunnan Huaning Xingning Colour Material Printing Company Limited and Yuxi Globe Colour Printing Carton Company Limited are engaged in the packaging and printing of cigarette packs and boxes business. Therefore, they are facing similar operating environment, such as high competitions and rising material and labour costs, as that of Cheng Cheng Printing Group. A similar price earning multiple method as that of CCP Disposal was used for the determination of the YH Consideration.

The Group is interested in 25% and 18.75% of the equity interests in each of Yunnan Huaning Xingning Colour Material Printing Company Limited and Yuxi Globe Printing Carton Company Limited respectively. The results of the Yunnan Huaning Xingning Colour Material Printing Company Limited is equity accounted for in the books of Yunyu Holdings Group and the Group that and 25% of the net profit of Yunnan Huaning Xingning Colour Meterial Printing Company Limited has been recorded. For the case of Yuxi Globe Colour Printing Carton Company Limited, it is treated as the company's investee company. Yunyu Holdings records dividend income from it and Yuxi Globe Colour Printing Carton Company Limited usually distributes almost all of its yearly net profit to its shareholders according to their respective equity interests in the company. For example, Yuxi Globe Colour Printing Carton Company Limited recorded a net profit of approximately RMB26.7 million (equivalent to approximately HK$31.5 million) and declared total dividends of approximately RMB25.1 million (equivalent to approximately HK$29.6 million) for the year ended 31 December 2010, while the Group recorded a corresponding dividend income of approximately HK$5.6 million for the year ended 31 March 2011. There is no other business for Yunyu Holdings and therefore, its profit is a close presentation of its equity share of net profits in these two investee companies. Although Yunun Huaning Xingning Colour Material Printing Company Limited and Yuxi Globe Printing Carton Company Limited are the Company's investment, the Directors consider that using the price earnings multiple of AMVIG Holding Limited to determine the YH Consideration is considered applicable and reasonable and it is able to reflect the valuation of Yunyu Holdings Group due to the reason that Yunyu Holdings Group's profit is solely derived from the packaging and printing of cigarette packs and boxes business which is the same principle business of AMVIG Holdings Limited. Based on Yunyu Holdings' unaudited net profit of approximately HK$6.92 million for the years ended 31 March 2011 and the YH Consideration of HK$55,000,000, the implied price earning ratio of the YH Disposal is approximately 8 times. This compares to the price earning multiple of AMVIG Holdings Limited of about 7 times. Moreover, the YH Consideration exceeds the combined total of consolidated net asset value of Yunyu Holdings of approximately HK$24,038,000 and the YH Sale Loan of approximately HK$25,036,000 as at 31 December 2011 and it is anticipated there will be a gain on disposal, subject to audit. Therefore, the Directors consider that the YH Consideration and its determination on basis similar to that of the CCP Consideration are considered to be fair and reasonable.

The YH Consideration was arrived at after arm's length negotiations between the Company and Tianda Group. Based on the above, the Directors (excluding the independent non-executive Directors) consider that the terms and conditions of the YH Agreement (including the YH Consideration and the basis of determining the YH Consideration) are fair and reasonable and on normal commercial terms and the YH Disposal is in the interests of the Company and the Shareholders as a whole.

Conditions

YH Completion shall be conditional upon:

(a) the passing by the Independent Shareholders at EGM of the Company to be convened and held of an ordinary resolution to approve, among others, the YH Agreement and the transactions contemplated thereunder;

(b) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the YH Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(c) all necessary consents, licenses and approvals required to be obtained on the part of Tianda Group in respect of the YH Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(d) warranties given by the Company under the YH Agreement remaining true, accurate and not misleading;

(e) warranties given by Tianda Group under the YH Agreement remaining true, accurate and not misleading; and

(f) the TP Agreement, the TMY Agreement, the HL Agreement and the CCP Agreement having become unconditional (other than the condition for the YH Agreement to become unconditional).

The Company may waive condition (e) above. Tianda Group may waive condition (d) above. Conditions (a), (b), (c) and (f) are incapable of being waived. If the conditions have not been fulfilled (or waived by the Company or Tianda Group as the case may be) on or before 12:00 noon on 30 June 2012, or such later date as the Company and Tianda Group may agree, the YH Agreement shall cease and determine, and neither party to the YH Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

YH Completion

YH Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment (or waiver) of the conditions. YH Completion shall take place contemporaneously with TP Completion, TMY Completion, HL Completion and CCP Completion. Tianda Group may nominate its wholly owned subsidiary to hold the YH Sale Shares upon YH Completion.

Yunyu Holdings will cease to be a subsidiary of the Company upon YH Completion.

Information on Yunyu Holdings Group

Yunyu Holdings is principally engaged in investment holding and it has 25% equity interests in an associated company as well as 18.75% equity interests in an investee company. Both of these companies are principally engaged in printing and sale of cigarette packaging packs and boxes business.

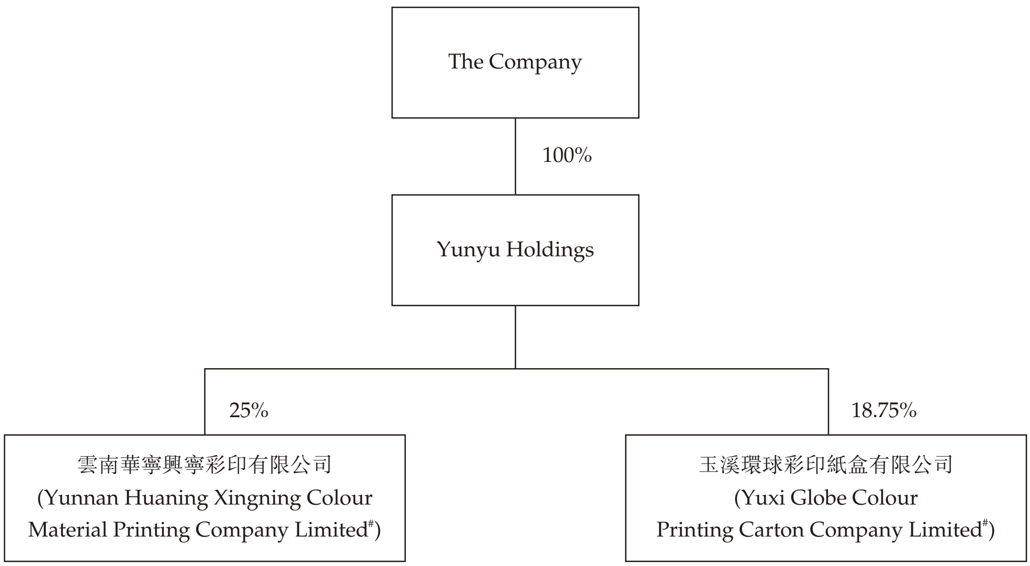
Set out below is a summary of financial information on Yunyu Holdings Group based on its unaudited management accounts prepared in accordance with Hong Kong Financial Reporting Standards.

	HK$
Year ended 31 March 2010	
Net profit before tax	5,988,000
Net profit after tax	5,754,000
Year ended 31 March 2011	
Net profit before tax	7,574,000
Net profit after tax	6,916,000
Consolidated net asset value as at 30 September 2011	23,934,000
Consolidated net asset value as at 31 December 2011	24,038,000

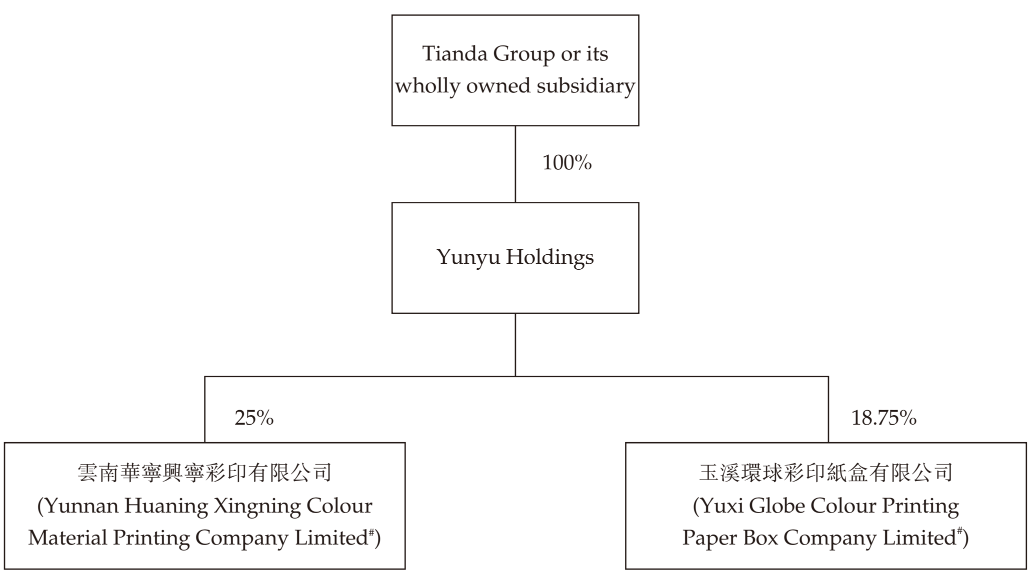
Group structure

The following charts show the shareholding structure of companies comprising Yunyu Holdings Group as at the Latest Practicable Date and immediately after YH Completion:

As at the Latest Practicable Date



Immediately after YH Completion



Financial effect of the YH Disposal

It is estimated that the gain on disposal of Yunyu Holdings Group, based on the consideration of HK$55,000,000 less the net asset value of approximately HK$24,038,000 and the YH Sale Loan of approximately HK$25,036,000 as at 31 December 2011, subject to audit, will be approximately HK$5,926,000. However, it should be noted that the exact amount of gain on disposal will be calculated from the relevant amounts as at YH Completion and therefore may be different from the above amount. Such gain on disposal will be reflected in the consolidated statement of comprehensive income of the Group for the year ending 31 March 2013.

REASONS AND BENEFITS OF THE TP ACQUISITION, THE TMY DISPOSAL, THE HL DISPOSAL, THE CCP DISPOSAL AND THE YH DISPOSAL

The Company is an investment holding company listed on the Stock Exchange. With its headquarters based in Hong Kong, the Group is primarily engaged in the pharmaceutical and biotechnology, mining and energy, and packaging and printing businesses.

Upon completion of the TP Acquisition, Tianda Pharmaceuticals Group will be wholly owned by the Company and the financial results of Tianda Pharmaceuticals Group will be consolidated into the Group. The TP Acquisition would bring along synergies to, and increase the competitiveness of, its existing pharmaceutical and biotechnology business by the sharing of resources such as the research abilities and the sale network of Tianda Pharmaceuticals Group. Moreover, it will enable the Group to broaden and strengthen its range of products covering Chinese medicines, chemical and biopharmaceutical medicines. The spacious production base at Zhuhai also provides opportunities for any future expansion of the Group's businesses since additional production lines can be installed there.

As stated in the Company's annual report for the year ended 31 March 2011and the interim report for the six months ended 30 September 2011, pharmaceutical and biotechnology business has been the industry in which the Group focuses its resources and development in recent years, while the packaging and printing business is to provide a stable source of income for the expansion of the Group's pharmaceutical and biotechnology business. Moreover, as mentioned in sections headed "The TP Acquisition" and "The CCP Disposal" above, the Group is optimistic about the future of the pharmaceutical industry in the PRC while it is expected that the packaging and printing business will face severe competition in the coming years. Favourable factors for the pharmaceutical industry in the PRC include the growth of the gross domestic product, increased disposable income, life expectancy and health-consciousness of the people and governmental policy support. Conversely, the packaging and printing business in the PRC faces the pressure of price competitions and rising material and labour costs. For the six months ended 30 September 2011, even though the packaging and printing business contributed approximately 72.6% of the Group's revenue while the pharmaceutical business shared the remaining approximately 27.4%, the segmental profit (including non-controlling interests) of the pharmaceutical business amounted to approximately HK$29.9 million (approximately 67.4% of the profit for the period) and outweighed that of the packaging and printing business of approximately HK$18.1 million (approximately 40.7% of the profit for the period). Therefore, even though Cheng Cheng Printing Group has only been acquired in October 2010, the CCP Disposal is in line with the Group's intention to focus on its core activities on the pharmaceutical and biotechnology business. The CCP Disposal, the TMY Disposal, the HL Disposal, the YH Disposal and the TP Acquisition are proposed and structured together as a whole to achieve such objective.

As disclosed in various previous sections, based on the consideration, the corresponding net assets/liabilities position and the amount of sale loan (if applicable) as at 31 December 2011 for each of the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal, each of the Disposal Groups would be disposed of at a gain, subject to audit. Therefore, while the net asset position, together with the TP Sale Loan, of Tianda Pharmaceuticals Group is less than those of the Disposal Groups as a whole, it is expected that the restructuring of the Group's core activities will not bring about adverse effect on the resulting net asset position attributable to the Shareholders. Further details are contained in the unaudited pro forma financial information of the resulting group in Appendix III of this circular.

Regarding the historical profit performance of Tianda Pharmaceuticals Group, its profit after tax for the year ended 31 December 2011 was approximately HK$5,433,000, which is less than the net profit attributable to Shareholders of approximately HK$14,682,000 contributed by the Disposal Groups for the year ended 31 March 2011. However, these historical results do not necessarily bear any relationship as to the future performance of the Group's core pharmaceutical and biotechnology business nor the businesses of the Disposal Groups. Given the performance improvements of Tianda Pharmaceuticals Group over the three years ended 31 December 2011 and the comparatively favourable factors for the pharmaceutical and biotechnology industry contrasted with those faced by the packaging and printing business as detailed above, the Directors are confident in the future performance of Tianda Pharmaceuticals Group and the Group as a whole after the restructuring. Apart from this, as mentioned above, it is anticipated that each of the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal will result in a gain on disposal, subject to audit. Moreover, Tianda Group has given a profit guarantee on Tianda Pharmaceuticals Group of not less than HK$18,500,000 for a complete 12 month period after TP Completion. All these are considered to be favourable for the Group to enter into the TP Acquisition, together with the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal, with an aim of restructuring the Group's core business. Upon completion of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal, no material adverse impact to the financial and operating performance of the Group has been anticipated.

As at the Latest Practicable Date, the Group had approximately 341 employees. Based on the number of employees of Tianda Pharmaceuticals Group and the respective number of employees of the Disposal Groups, it is estimated that the Group will have approximately 358 employees upon completion of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal.

With the streamlining of the core activity to focus on pharmaceutical and biotechnology business, it is the Group's intention to develop itself into a large scale pharmaceutical group based in China with international sales network. Apart from the mainland market, the Group has been actively looking for sale opportunities in other markets such as Australia, South East Asia, India and Russia.

There will not be any proceeds from the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal. The TMY Consideration, the HL Consideration, the CCP Consideration and the YH Consideration will be settled by Tianda Group by offsetting against part of the TP Consideration. The Directors (excluding the independent non-executive Directors) consider that each of the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal represents a good opportunity for the Group to realise the non-pharmaceutical business at one time instead of spending much time in identifying and negotiating with different potential buyers on these various assets and to consolidate its resources for its pharmaceutical and biotechnological operations at a much faster and efficient way. Moreover, the offsetting of the TP Consideration by the TMY Consideration, the HL Consideration, the CCP Consideration and the YH Consideration lessens the amount of cash outflow and leaves more cash resources for the future developments of the Group's pharmaceutical and biotechnology business.

As the Company intends to streamline its core activities and the TP Consideration will be settled partially by off-setting against the TMY Consideration, the HL Consideration, the CCP Consideration and the YH Consideration, the TP Acquisition was inter-conditional upon the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal.

Based on the above and taking into account the prospects of Tianda Pharmaceuticals Group, the Directors (excluding the independent non-executive Directors) are of the view that the terms and conditions of each of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement are fair and reasonable and each of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal is in the interests of the Company and the Shareholders as a whole.

The Independent non-executive Directors will provide their view on the terms of each of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal upon receiving the advice from the independent financial adviser and their view and recommendation to the Independent Shareholders will be included in the circular to be issued by the Company to the Shareholders as required by the Listing Rules.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the TP Acquisition exceed 25%, the TP Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Tianda Group is interested in approximately 63.50% of the issued share capital of the Company and is a connected person of the Company. As such, the TP Acquisition also constitutes a non-exempted connected transaction on the part of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal when aggregated constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules. The TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal when aggregated also constitutes a non-exempted connected transaction on the part of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Fang, an executive Director, is beneficially interested in the entire equity interests in Tianda Group and has material interests in the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal. Mr. Li Suiming and Mr. Liu Huijiang, both executive Directors, being president of Yunnan Hongta and deputy general manager of Yunnan Hongta respectively, also have interests in the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal. Mr. Li Suiming and Mr. Liu Huijiang do not have any interest in the Company. Each of Mr. Fang, Mr. Li Suiming and Mr. Liu Huijiang has not taken part on the voting at the board meeting to approve the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal.

INDEPENDENT BOARD COMMITTEE

Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition and the Disposal. Bridge Partners has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the name of the Company from "Tianda Holdings Limited" to "Tianda Pharmaceuticals Limited" and its Chinese name "天大控股有限公司" be changed to "天大藥業有限公司" and be adopted as the dual foreign name of the Company, subject to the conditions as set out in the paragraph headed "Conditions" below.

The Proposed Change of Company Name is scheduled to effect after completion of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal.

Conditions

The Proposed Change of Company Name will be subject to the following:

(a) the passing of a special resolution by the Shareholders approving the Proposed Change of Company Name at EGM; and

(b) the entry of the new name and dual foreign name of the Company on the register of companies maintained by the Registrar of Companies in the Cayman Islands in place of the existing name upon which the Proposed Change of Company Name shall become effective.

The Registrar of Companies in the Cayman Islands shall issue a certificate of incorporation on change of name thereafter. The Company will then carry out the necessary filing procedures in Hong Kong.

Reasons for the Proposed Change of Company Name

As the Company proposes to focus the Group's core activity on pharmaceutical and biotechnology business, the Board considers that the Proposed Change of Company Name can more accurately reflect the principal activities of the Group upon completion of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal and provide the Company with a fresh new corporate image and identity. The Board is of the opinion that the Proposed Change of Company Name will clearly benefit the Company's future business development and is in the best interests of the Company and the Shareholders as a whole.

Effects on the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any rights of the holders of securities of the Company or the Company's daily business operation and its financial position.

All existing certificates of securities in issue bearing the present name of the Company shall, after the Proposed Change of Company Name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing share certificates for new share certificates bearing the new name and new dual foreign name of the Company. Once the Proposed Change of Company Name becomes effective, new share certificates will be issued only in the new name and new dual foreign name of the Company.

The Company will make further announcements as and when appropriate on the results of EGM, the effective date of the Proposed Change of Company Name and the new stock short name of the shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF TIANDA PHARMACEUTICALS GROUP

Set out below is the management discussion and analysis on Tianda Pharmaceuticals Group, which comprises of Tianda Pharmaceuticals and its subsidiaries for the three years ended 31 December 2009, 2010 and 2011 (the "**Relevant Periods**"). This should be read in conjunction with the Accountants' Report on Tianda Pharmaceuticals Group included in Appendix II of this circular.

Business review

Tianda Pharmaceuticals is a limited liability company established under the laws of the BVI Business Companies Act on 11 May 2011 with an authorized share capital of US$50,000 divided into 50,000 shares. On 1 November 2011, 100 shares of US$1 each were issued to Tianda Group Limited as initial subscriber. Pursuant to, and upon completion of the Reorganization, Tianda Pharmaceuticals will become the holding company of a group of subsidiaries engaged in research, development, production, sale and trading of pharmaceutical and health supplement products in Hong Kong, the PRC and Australia.

Financial Review

Turnover

Turnover represents substantially the income from the sales of pharmaceutical products. Tianda Pharmaceuticals Group only has one principal business. During the Relevant Periods, the respective turnover of Tianda Pharmaceuticals Group amounted to approximately HK$65.09 million, HK$76.87 million and HK$95.43 million, representing an increase, on a year-on-year basis, of approximately 18.10% and 24.15% respectively. Such increases were mainly derived from the growth of demand for pharmaceutical products in the PRC when the disposable income of people and the life expectancy increase and people are more conscious towards health. Geographically, revenue generated from operations in the PRC amounted to approximately HK$64.44 million, HK$76.56 million and HK$95.13 million during the Relevant Periods and accounted for approximately 99.00%, 99.59% and 99.68% of its total turnover respectively. The remaining balances were generated from trading of pharmaceutical and health supplement products in Hong Kong and Australia.

The major products of Tianda Pharmaceuticals Group sold during the Relevant Periods included Tuoping (Valsartan capsules) and Tuoen (Ibuprofen suspension and drops). Tuoping is used for treatment of high flood pressure while Tuoen is used for relieving symptoms of fever and pain when children were infected with influenza. Below is a breakdown of the amounts of sale of Tuoping and Tuoen, and their respective percentages of revenue during the Relevant Periods:

	2009		**2010**		**2011**	
	Amount *(HK$'000)*	%	**Amount** *(HK$'000)*	%	**Amount** *(HK$'000)*	%
Tuoping	31,549	48.5	39,849	51.8	44,521	46.7
Tuoen	18,678	28.7	15,843	20.6	26,161	27.4
Others	14,860	22.8	21,178	27.6	24,752	25.9
Total	65,087	100.0	76,870	100.0	95,434	100.0

Gross profit

During the Relevant Periods, the respective gross profit of Tianda Pharmaceuticals Group amounted to approximately HK$47.06 million, HK$54.61 million and HK$62.51 million, representing gross profit margins of approximately 72.31%, 71.04% and 65.50% respectively. The pharmaceutical products were mainly sold either to hospitals directly or to distributors who then sell the drugs to hospitals, clinics and pharmacy shops. Gross profit margins for direct sales to hospitals are higher than those to distributors since part of the gross profits need not be shared by distributors. During the Relevant Period, the proportion of sale to distributors increased resulting in the overall decrease in gross profit margins.

Other revenue and other net income

During the Relevant Periods, the other revenue of Tianda Pharmaceuticals Group mainly represented investment income from available-for-sale investments, which amounted to approximately HK$137,000, HK$243,000 and HK$125,000 respectively; while other net income mainly represented reversal of impairment loss on account receivable amounting to approximately HK$571,000, HK$310,000 and HK$119,000 respectively.

Selling and distribution costs

During the Relevant Periods, the selling and distribution costs of Tianda Pharmaceuticals Group amounted to approximately HK$35.44 million, HK$37.68 million and HK$38.99 million respectively. The selling and distribution costs during the Relevant Periods had increased mildly and at a less extent than sales as a result of close monitor and strict control in costs.

Administrative and other operating expenses

During the Relevant Periods, the administrative and other operating expenses of Tianda Pharmaceuticals Group amounted to approximately HK$15.21 million, HK$16.35 million and HK$18.87 million respectively. The administrative and other operating expenses increased mainly as a result of increase in staff expenses.

Income tax

As 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited) is a foreign investment enterprise in the City of Zhuhai, it was entitled to enjoy a lower income tax rate in accordance with the Income Tax Law of the PRC concerning Foreign Investment and Foreign Enterprises. It was subject to a reduced income tax rate of 18%, 20% and 22% for the years of 2009, 2010 and 2011 respectively.

During the Relevant Periods, no income tax expenses have been incurred for 天大藥業（珠海）有限公司 (Tianda Pharmaceuticals (Zhuhai) Limited) as the taxable profits have been setoff against unutilized tax losses brought forward from previous years. The unrecognized tax losses will be expired in the year 2014.

For other companies in Tianda Pharmaceuticals Group, no income tax expenses have been incurred because they sustained tax losses during the Relevant Periods.

Profit (Loss) for the Relevant Periods

During the relevant periods, the respective net (loss) profit for the year attributable to owners of Tianda Pharmaceuticals Group amounted to approximately HK$(2.85 million), HK$1.36 million and HK$5.43 million respectively.

Liquidity and capital resources

Financial positions

As at 31 December 2009, 2010 and 2011, Tianda Pharmaceuticals Group had net current liabilities of approximately HK$128.84 million, HK$124.14 million and HK$112.56 million respectively and included in these net liabilities were amounts due to Tianda Group Limited of HK$156.53 million, HK$159.13 million and HK$158.29 million respectively. Such balance is non-interest bearing and will be novated to the Company at TP Completion. Excluding such amount as at 31 December 2009, 2010 and 2011, the adjusted net current assets were approximately HK$27.69 million, HK$34.99 million and HK$45.73 million respectively.

Net operating cash inflow

With the increase in profitability during the Relevant Periods, the net cash generated from operating activities increased and amounted to approximately HK$1.63 million, HK$2.61 million and HK$11.94 million respectively.

Debtors' turnover days

The debtors' turnover periods of Tianda Pharmaceuticals Group were approximately 70.6 days, 73.9 days and 53.6 days during the Relevant Periods respectively, which was basically in line with its credit policy offered to its customers of 60 to 120 days from the date of billing. As at 31 December 2009, 2010 and 2011, Tianda Pharmaceuticals Group had trade and bills receivables within two months of approximately HK$9.94 million, HK$10.24 million and HK$7.55 million, representing approximately 76.37%, 65.28% and 53.82% of its total balances of trade receivables respectively.

Creditors' turnover days

The creditors' turnover periods of Tianda Pharmaceuticals Group were approximately 37.2 days, 98.7 days and 46.3 days during the Relevant Periods respectively. Trade payables are normally settled on a 30-day term. As at 31 December 2009, 2010 and 2011, Tianda Pharmaceuticals Group had trade payables of approximately HK$1.84 million, HK$6.02 million and HK$4.18 million respectively and all of them were due within three months.

Gearing ratio

During the Relevant Periods, Tianda Pharmaceuticals Group had not borrowed any interest-bearing bank loans. On the other hand, Tianda Pharmaceuticals Group had balances of cash and cash equivalents of approximately HK$31.92 million, HK$31.21 million and HK$42.59 million as at 31 December 2009, 2010 and 2011 respectively.

Contingent liabilities

As at 31 December 2009, 2010 and 2011, Tianda Pharmaceuticals Group did not have any material contingent liabilities.

Capital commitment

As at 31 December 2009, 2010 and 2011, Tianda Pharmaceuticals Group did not have any capital commitment.

Treasury policies

Tianda Pharmaceuticals Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging during the Relevant Periods.

Exchange rate exposure

Tianda Pharmaceuticals Group's core business activity and major customers were located at the PRC, where turnover of which accounted for are approximately 99%, 99.59% and 99.68% of its total turnover during the Relevant Periods respectively. On such basis, Tianda Pharmaceuticals Group had no significant exchange rate exposure.

Credit risk

During the Relevant Periods, Tianda Pharmaceuticals Group had no significant concentrations of credit risk.

Charge of assets

During the Relevant Periods, Tianda Pharmaceuticals Group's assets had not been charged to any parties.

Significant investments, material acquisition and disposal

During the Relevant Periods, Tianda Pharmaceuticals Group did not have any significant investments, material acquisition or disposal.

Employees

Tianda Pharmaceuticals Group had 287, 337 and 345 full-time employees as at 31 December 2009, 2010 and 2011 respectively. The staff costs of Tianda Pharmaceuticals Group amounted to approximately HK$16.73 million, HK$17.85 million and HK$20.62 million during the Relevant Periods respectively. Remuneration is reviewed annually and employees are rewarded on a performance related basis.

Reconciliation of property valuation on the properties with their carrying values

The reconciliation between the property valuation as at 29 February 2012 of the properties, including buildings held for own use carried at cost and lease premium for land, (the "**Properties**") with their net book value as at 31 December 2011, reflected in the Financial Information on Tianda Pharmaceuticals Group as set out in Appendix IV of this circular are as follows:

	Total
	HK$'000
Buildings	67,893
Lease premium for land	30,069
Net book value of the Properties as at 31 December 2011	97,962
Depreciation for the period from January to February 2012	(289)
Net book value of the Properties as at 29 February 2012	97,673
Valuation surplus	80,248
Property valuation of the Properties as at 29 February 2012 *(Note)*	177,921

Note: The property valuation as at 29 February 2012 of the Properties is set out in Appendix IV to this circular. The exchange rate used is RMB1 = HK$1.2390.

FINANCIAL EFFECTS ON THE GROUP

Assets and liabilities

Upon TP Completion, CCP Completion, HL Completion, TMY Completion and YH Completion, according to the unaudited pro forma statement of financial position of the Resulting Group as set out in Appendix III to this circular, (i) the non-current assets will increase from approximately HK$294,317,000 to approximately HK$366,960,000; and (ii) the current assets, the current liabilities and the non-current liabilities will decrease from approximately HK$722,906,000, approximately HK$135,291,000 and approximately HK$30,681,000 to approximately HK$418,109,000, approximately HK$40,678,000 and approximately HK$7,024,000 respectively.

Earnings

Upon TP Completion, CCP Completion, HL Completion, TMY Completion and YH Completion, according to the unaudited pro forma consolidated statement of comprehensive income of the Resulting Group as set out in Appendix III to this circular, the net profit attributable to the Shareholders would have been approximately HK$65,107,000 while that for the Group for the year ended 31 March 2011 was approximately HK$67,427,000. However, it should be noted that the pro forma financial information has been prepared for illustrative purpose, using the results of Tianda Pharmaceuticals Group for the year ended 31 December 2011, assuming the Reorganisation were completed on 1 January 2011, and does not necessarily reflect the future performance and prospects of the Group and Tianda Pharmaceuticals Group after TP Completion.

PROSPECTS OF THE RESULTING GROUP

The TP Acquisition enables the Group to expand its range of pharmaceutical products to cover Chinese medicines as well as Western chemical drugs. This will help the Group to increase and diversifies its revenue base. The research and development capabilities and extensive sale distribution network of Tianda Pharmaceuticals Group can also strengthen the Group's existing pharmaceutical and biotechnology business and bring along synergies in various areas such as the sharing of expert resources and enhanced bargaining power over customers and suppliers. Upon the completion of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal, the Group will have one clear and focused principal activity of pharmaceutical and biotechnology business. This could help to attract investors who are looking for opportunities in this sector and enhance Shareholders' value. Apart from organic growth, the resulting Group will also be looking for good acquisition opportunities as a means of growth. As at the Latest Practicable Date, the Company has identified possible investment opportunities in acquiring interest in several companies engaging in pharmaceutical business in the PRC but the negotiation is still at a preliminary stage without any term agreed and none of these would be discloseable under the Listing Rules. The Company also confirmed that all of these possible investment opportunities are still at preliminary stage and they are merely opportunities without any concrete plan or terms. No terms have been agreed and no understanding in relation to such opportunities has been reached.

The Board is fully confident about the future prospects of the pharmaceutical and biotechnology industry in the PRC since (i) there is continuous growth in Gross National Products and individual disposable income and this trend is expected to continue; (ii) the average life expectancy increases; (iii) people are more conscious about their health; and (iv) support from governmental policies. Apart from that, the Group is also looking for sale and distribution opportunities outside the PRC. In this respect, Tianda Pharmaceutical Group has also been developing other markets such as Australia and countries in South East Asia. Therefore, the Group is confident about its future prospects and its intention to develop into a large scale pharmaceutical group based in the PRC with international sales network.

INFORMATION ON TIANDA GROUP

Tianda Group is primarily dedicated to the development of health industries, in particular the pharmaceutical, biotechnology and healthcare industries, and also to the investment and development in mining and energy and other natural resources. In addition, Tianda Group engages in financial services, real estate, printing and packaging businesses and is the controlling Shareholder holding approximately 63.5% of the issued share capital of the Company.

GENERAL

An ordinary resolution approving the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal will be proposed for the voting by the Independent Shareholders at the EGM. South Hong is directly and Hongta is indirectly interested in 214,992,932 Shares, representing approximately 11.50% of the issued share capital of the Company. As (i) South Hong is acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with Tianda Group; (ii) Yunnan Hongta is interested in 40% of the equity interests in Zhuhai Cheng Cheng; and (iii) Hongta and its subsidiaries are the major customer of Zhuhai Cheng Cheng. Tianda Group, South Hong, Hongta, Yunnan Hongta and their respective associates will abstain from voting on this resolution at the EGM. Save as disclosed above, there are no other Shareholders which are required to abstain from voting on this resolution at the EGM. Yunnan Hongta does not have any interest in the Company. As at the Latest Practicable Date, Tianda Group, South Hong, Hongta, Yunnan Hongta and their respective associates are interested in 1,402,587,634 Shares representing approximately 74.99% of the issued share capital of the company. A special resolution approving the Proposed Change of Company Name will also be proposed at the EGM.

EGM

Set out on pages EGM-1 to EGM-3 is a notice convening the EGM to be held at Suites 2405–2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on 22 June 2012 at 10:00 a.m. at which relevant resolutions will be proposed to the Shareholders to consider and, if thought fit, approve (i) the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal, the YH Disposal and the transactions contemplated thereunder, including but not limited to the entering into the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement; and (ii) the Proposed Change of Company Name.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

RECOMMENDATION

Your attention is drawn to the letter fron the Independent Board Committee set out from page 48 of this circular and the letter from Bridge Partners set out from page 50 to page 85 of this circular respectively. The Independent Board Committee, having considered the advice of Bridge Partners, is of the view that the terms of each of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement, the YH Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal are in the interests of the Company and the Shareholders as a whole, but not in the ordinary and usual course of business of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

The Board considers that the terms of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal, the YH Disposal and the transactions contemplated thereunder, and the Proposed Change of Company Name.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
Tianda Holdings Limited
FANG Wen Quan
Chairman

天大控股有限公司
TIANDA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

30 May 2012

To the Independent Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 30 May 2012 (the "Circular") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Bridge Partners has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement (the "Agreements") were entered into on normal commercial terms; and (ii) the terms of each of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 50 to 85 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 9 to 47 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of each of the Agreements and the advice of Bridge Partners, we are of the opinion that (i) each of the Agreements were entered into on normal commercial terms; and (ii) the terms of each of the Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal, the YH Disposal and the transactions contemplated thereunder, including but not limited to the entering into each of the Agreements.

Yours faithfully,
For and on behalf of

Independent Board Committee of
Tianda Holdings Limited

CHIU Sung Hong	**CHIU Fan Wa**	**LAM Yat Fai**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners regarding the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal prepared for the purpose of inclusion in this circular.

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED
Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

30 May 2012

To the Independent Board Committee
and the Independent Shareholders of Tianda Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement (collectively, the "Agreements") and the transactions contemplated thereunder. Details of the Agreements are set out in the "Letter from the Board" contained in the circular of the Company dated 30 May 2012 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 30 March 2012, Tianda Group and the Company entered into the TP Agreement pursuant to which the Company has agreed to purchase and Tianda Group has agreed to sell the TP Shares and the TP Sale Loan for a total consideration of HK$380,000,000. The TP Acquisition is subject to and upon the terms and conditions of the TP Agreement. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the TP Acquisition exceed 25%, the TP Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Tianda Group is interested in approximately 63.50% of the issued share capital of the Company and is a connected person of the Company. As such, the TP Acquisition also constitutes a non-exempted connected transaction on the part of the Company.

Tianda Group and the Company entered into the TMY Agreement on 30 March 2012 pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the TMY Sale Shares for a total consideration of HK$10,800,000. The consideration for the sale and purchase of the TMY Sale Shares shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at the TMY Completion.

Tianda Group and the Company entered into the HL Agreement on 30 March 2012 pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the HL Sale Share and the HL Sale Loan for a total consideration of HK$3,400,000. The consideration for the sale and purchase of the HL Sale Share and the HL Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at the HL Completion.

Tianda Group and the Company entered into the CCP Agreement on 30 March 2012 pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the CCP Sale Shares and the CCP Sale Loan for a total consideration of HK$233,000,000. The consideration for the sale and purchase of the CCP Sale Shares and the CCP Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at the CCP Completion.

Tianda Group and the Company entered into the YH Agreement on 30 March 2012 pursuant to which Tianda Group has agreed to purchase and the Company has agreed to sell the YH Sale Shares and the YH Sale Loan for a total consideration of HK$55,000,000. The consideration for the sale and purchase of the YH Sale Shares and the YH Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at the YH Completion.

The TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal (the "Disposals") when aggregated constitute a major transaction and a non-exempted connected transaction on the part of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively. The Agreements are inter-conditional upon each other.

An ordinary resolution approving the TP Acquisition and the Disposals will be proposed for the voting by the Independent Shareholders at the EGM. As at the Latest Practicable Date, South Hong is beneficially owned as to approximately 92.28% by Hongta and held 214,992,932 Shares (representing approximately 11.50% of the issued share capital of the Company). Accordingly, Hongta is deemed to be interested in 214,992,932 Shares owned by South Hong.

In view of the fact that (i) South Hong is acting in concert (as defined under the Hong Kong Code on Takeovers and Mergers) with Tianda Group; (ii) Yunnan Hongta is interested in 40% of the equity interests in Zhuhai Cheng Cheng (an indirect subsidiary of Cheng Cheng Printing); and (iii) Hongta and its subsidiaries are the major customers of Zhuhai Cheng Cheng, Tianda Group, South Hong, Hongta, Yunnan Hongta and their respective associates will abstain from voting on this resolution at the EGM. As at the Latest Practicable Date, Tianda Group, South Hong, Hongta, Yunnan Hongta and their respective associates are interested in 1,402,587,634 Shares, representing approximately 74.99% of the issued share capital of the Company.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Chiu Sung Hong, Mr. Chiu Fan Wa and Mr. Lam Yat Fai, has been established to make recommendations to the Independent Shareholders as to the fairness and reasonableness of the TP Acquisition and the Disposals and whether it is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM by way of poll.

Our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements are on normal commercial terms and the transactions contemplated therein are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and to advise the Independent Shareholders on how to vote at the EGM in respect of the TP Acquisition and the Disposals.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have reviewed, among others: (i) the Circular; (ii) each of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement; (iii) the financial information of Tianda Pharmaceutical Group, Tianda Yunnan Group, Heroway Group, Cheng Cheng Printing Group and Yunyu Holdings Group; (iv) the cost analysis of the printing business; (v) the pro forma financial information of the Resulting Group; (vi) the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) of the PRC referenced from the website of the PRC government (www.gov.cn/2011lh/content_1825838_9.htm) and (vii) China Statistical Yearbook 2011 (the "Yearbook"). We have also discussed with the management of the Company their plans and business prospects of the Resulting Group upon completion of the TP Acquisition and the Disposals. We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of the EGM. We consider that we have been provided with sufficient information to form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, its subsidiaries or its associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the TP Acquisition and the Disposals.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular, and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the TP Acquisition and the Disposals and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1 Background of the Company

The Group has been principally engaged in the pharmaceutical and biotechnology, mining and energy, and packaging and printing businesses.

2 Financial information of the Group

Set out below is a summary of the financial results of the Group for the two years ended 31 March 2011 and the six months ended 30 September 2011:

	For the year ended 31 March 2010	**For the year ended 31 March 2011**	**For the six months ended 30 September 2011**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	82,951	206,346	188,677
Profit before taxation	50,936	120,155	55,436
Profit after taxation	40,692	101,437	44,455

	As at 31 March 2010	**As at 31 March 2011**	**As at 30 September 2011**
	HK$'000	*HK$'000*	*HK$'000*
Net assets	438,901	847,337	851,251
Net current assets	332,909	587,155	587,613

As depicted from the above table, the Group had consistently made profits for the two years ended 31 March 2011 and the six months ended 30 September 2011. For the year ended 31 March 2011, the pharmaceutical and biotechnology business contributed significantly to the total revenue of the Group. The profit for the pharmaceutical and biotechnology business amounted to approximately HK$59.86 million (2010: approximately HK$43.49 million), representing approximately 59.01% of the total net profit of the Group. According to the annual report of the Company for the year ended 31 March 2011 ("Annual Report"), the significant increase in both the revenue and profit attributable to the shareholders of the Company for the year ended 31 March 2011 was mainly attributable to the continuous growth in revenue and profit of the existing pharmaceutical business and the completion of the acquisition of Zhuhai Cheng Cheng ("Cheng Cheng Printing Acquisition") in October 2010. The revenue derived from the existing pharmaceutical and biotechnology business increased by approximately HK$26.19 million from approximately HK$77.47 million for the year ended 31 March 2010 to approximately HK$103.66 million for the year ended 31 March 2011. The net profit derived from the existing pharmaceutical and biotechnology business increased from approximately HK$43.49 million for the year ended 31 March 2010 to approximately HK$59.86 million for the year ended 31 March 2011. As the Group started to consolidate the results of Cheng Cheng Printing from 1 October 2010 upon Cheng Cheng Printing Completion and based on the consolidated financial information of Cheng Cheng Printing Group, the Group recorded the revenue of approximately HK$97.06 million and the net profit of approximately HK$20.34 million from Cheng Cheng Printing Group for the period from 1 October 2010 to 31 March 2011.

For the year ended 31 March 2011, all the mining and energy projects had yet to generate any revenue and all mines are still in the greenfield stage. During 2011, the mineral resources segment has yet to generate any revenue for the Group and as a result incurred a segment loss after taxation of approximately HK$3.18 million for the year ended 31 March 2011.

According to the interim report of the Company for the six months ended 30 September 2011 (the "Interim Report"), the Group recorded the unaudited revenue of approximately HK$188.68 million and profit after taxation of approximately HK$44.46 million for the six months ended 30 September 2011. The significant increase in revenue was mainly attributable to the inclusion of the sales revenue from Cheng Cheng Printing after the completion of Cheng Cheng Printing Acquisition. Although the packaging and printing business contributed significantly to the total turnover of the Group for the six months ended 30 September 2011, the packaging and printing segment only contributed a profit of approximately HK$18.08 million (representing approximately 40.67% to the total profit after taxation of the Group). On the other hand, the Company incurred a segment loss after taxation of HK$709,778 from the mineral resources business during the period.

As noted from the Interim Report, the Group has full confidence in the future prospect of its pharmaceutical and biotechnology business. In view of the continuous growth in the PRC economy, the gradual increase in the average income per capita, increased life expectancy and health awareness and the support of PRC government policies, the management of the Group is optimistic that there will be further growth and development of the pharmaceutical sector in China.

3 Reasons and Benefits of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal

The Group's pharmaceutical and biotechnology business is carried out through, Yunnan Meng Sheng Pharmaceutical Co, Ltd ("Meng Sheng Pharmaceutical"), a 55%-owned subsidiary located in Kunming, Yunnan Province. As set out in the Letter from the Board, the Board considers that the TP Acquisition would bring along synergies to, and increase the competitiveness of, its existing pharmaceutical and biotechnology business by the sharing of resources such as the research abilities and the broad network of Tianda Pharmaceuticals Group. The TP Acquisition will enable the Group to broaden and diversify its range of products covering Chinese medicines, chemical and biopharmaceutical medicines. The Group has been actively looking for business opportunities in other developing countries, such as India and Russia. The Group also intends to develop into a large scale pharmaceutical group based in China with international sales network. The Board believes that, with its strong financial position and the recent trend of consolidation of the pharmaceutical sector in China, the Group could identify a potential acquisition target for further expanding its pharmaceutical and biotechnology business. As advised by the Company, it had identified possible investment opportunities in acquiring interest in several companies engaging in pharmaceutical business in the PRC but negotiation is still at a preliminary stage without any term agreed. As confirmed by the Company, none of them would be discloseable under the Listing Rules as at the Latest Practicable Date. The Company also confirmed that all of these possible investment opportunities are still at preliminary stage and they are merely opportunities without any concrete plan or terms. No terms have been agreed and no understanding in relation to such opportunities has been reached.

The Directors consider that the TP Acquisition and the Disposals as a whole allow the Group to restructure its business in a more efficient and beneficial way, by on one hand realising the investments in non-pharmaceutical business and on the other hand consolidating its resources into its pharmaceutical and biotechnological business. The Board believes that the continuous rising costs in the materials used in the printing segment, such as papers and ink, are the challenges to the Group's profitability. On the other hand, the Group's mining and energy projects have yet to generate any revenue. The mining and energy segment incurred net expenses of approximately HK$3.18 million and approximately HK$1.75 million for the two years ended 31 March 2011 respectively. By realising the investments in non-pharmaceutical business, the Group will have one clear and focused principal activity and the Group may efficiently reallocate its resources to pharmaceutical and biotechnology business, which may in turn provide better values to the

Shareholders as compared with the non-pharmaceutical business activities. Based on the above, we consider that the TP Acquisition and the Disposals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

4 The TP Acquisition

For assessing the fairness and reasonableness of the TP Acquisition and the TP Consideration, we have performed the following independent works, including (i) reviewed the background information of Tianda Pharmaceuticals Group, (ii) reviewed the accountants' report on Tianda Pharmaceuticals Group for the three financial years ended 31 December 2011 and the pro forma financial information of the Resulting Group, (iii) reviewed the TP Agreement and the Circular, (iv) researched other Hong Kong listed companies with principal business activities similar to those of Tianda Pharmaceuticals Group and made reference to their price to earnings ratios, (v) reviewed the Yearbook regarding the growth of China's GDP per capita, annual disposable income per capita of urban and rural households from 2000 to 2010 and the annual consumption expenditure per capita on health care and medical services from 2006 to 2010 and (vi) reviewed the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) of the PRC ("Twelfth Five-Year Plan") referenced from (www.gov.cn/2011lh/content_1825838_9.htm) and (vii) discussed with the management of the Company relating to the TP Acquisition, the plans and business prospects of the Resulting Group upon completion of the TP Acquisition.

(A) Background of Tianda Pharmaceuticals Group

Tianda Pharmaceuticals was incorporated on 11 May 2011 and is principally engaged in investment and development of pharmaceutical and biotechnology business. Upon completion of the Reorganisation, Tianda Pharmaceuticals will directly hold Tianda Pharmaceuticals (HK) Group and Tianda Biotech Group. Tianda Pharmaceuticals Group are principally engaged in research, development, production and sales of pharmaceutical and health supplement products in Hong Kong, the PRC and Australia. According to the Company, Tianda Pharmaceuticals (HK) and Tianda Pharmaceuticals (Australia) Pty. Limited serve as a distribution channel to sell pharmaceutical and health supplement products in Hong Kong and Australia respectively.

Tianda Pharmaceuticals (HK) Group and Tianda Biotech Group together own 100% equity interests in Tianda Pharmaceuticals (Zhuhai) Limited ("Tianda Zhuhai"). Tianda Zhuhai is the production base and research and development centre for Tianda Pharmaceuticals Group. It owns five workshops which include pre-treatment of Chinese herbal medicines workshop, Chinese medicines extraction workshop, tablets and capsules workshop, granules workshop and oral liquid workshop. As advised by the

Company, all of which have obtained GMP certificates from the State Food and Drug Administration in the PRC for the manufacture of pharmaceutical products in tablets, capsules, oral solutions, syrup, suspension, drops and granules, etc. It also complies with the requirements of the Australian Code of Good Manufacturing Practice for Medical Products.

Tianda Pharmaceuticals Group offers a wide variety of products which are sold to hospitals and medical institutions. The prescriptions include i) Chinese medicines for treatment of drug abusers under the brand name "益安", also known as "Yian", ii) lowering of cholesterol drugs under the brand name "脂康顆粒", also known as "Zhikang granules", iii) pediatric drugs for treatment of fever, pain, flu and cough under the brand name "托恩", also known as "Tuoen", iv) anti-hypertension drugs under the brand name "托平", also known as "Tuoping", v) antiviral drugs under the brand name "利巴韋林泡騰顆粒", vi) flu relief drugs under the brand name "托安", also known as "Tuoan" as well as many other health supplement products.

(B) Principal terms of the TP Acquisition

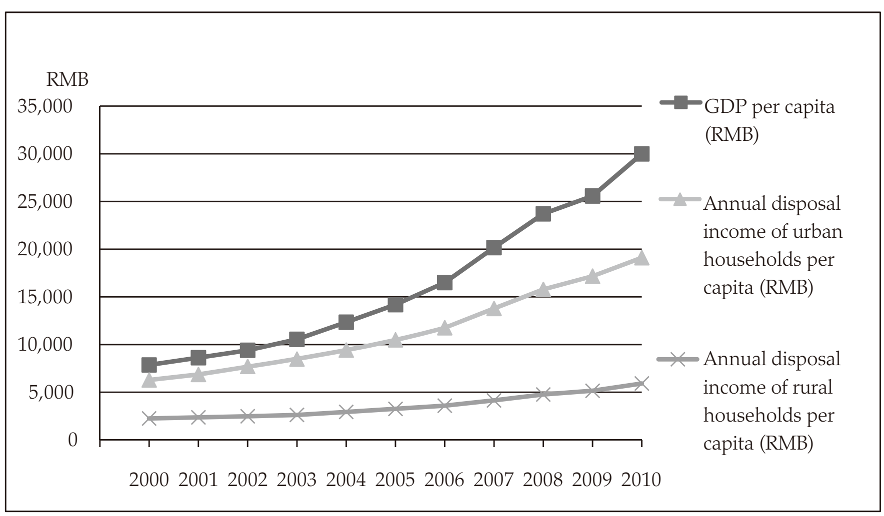
According to the TP Agreement, Tianda Group has agreed to sell and the Company has agreed to acquire the TP Sale Shares, representing the entire issued share capital of Tianda Pharmaceuticals and the TP Sale Loan of approximately HK$158.29 million (as at 31 December 2011) for a total consideration of HK$380,000,000. The consideration for the sale and purchase of the TP Sale Shares and the TP Sale Loan shall be settled by the Company at TP Completion in 5 tranches: (i) as to HK$10,800,000 by setting off such amount against the TMY Consideration, (ii) as to HK$3,400,000 by setting off such amount against the HL Consideration, (iii) as to HK$233,000,000 by setting off such amount against the CCP Consideration, (iv) as to HK$55,000,000 by setting off such amount against the YH Consideration and (v) as to HK$77,800,000 to Tianda Group in cash. The cash portion of the TP Consideration will be paid by the Group from its internal resources. Save for the TP Sale Shares, the TP Consideration covers the acquisition of the TP Sale Loan, which represents the aggregate amount of shareholders' loans contributed by Tianda Group in order to finance the operation and growth of Tianda Pharmaceuticals Group to its present level.

According to the Letter from the Board, the TP Consideration was arrived at after arm's length negotiations between Tianda Group and the Company and was determined with reference to (i) the financial position, business outlook and future prospects of Tianda Pharmaceuticals Group; (ii) the prospects of the medical industry in the PRC; and (iii) the profitability of Tianda Pharmaceuticals Group.

(C) Evaluation of the TP Consideration

(i) Overview of the pharmaceutical industry

According to the Yearbook, the annual disposable income per capita of China's urban households increased from RMB6,280 in 2000 to RMB19,109 in 2010, representing a compound annual growth rate ("CAGR") of approximately 11.77%. According to the Yearbook, China's GDP per capita grew from RMB7,858 in 2000 to RMB29,992 in 2010, representing a CAGR of approximately 14.33%. During the period, the national income and the annual disposable income per capita of urban and rural households increased significantly. The following chart illustrates the growth of China's GDP per capita and annual disposable income per capita of urban and rural households in the periods indicated:



As both of the living standards and the annual disposable income of rural and urban households per capital are rising, people in China have become more health conscious. According to the Yearbook, the annual consumption expenditure per capita on healthcare and medical services in China increased from RMB318.07 in 2006 to RMB871.77 in 2010. It is expected that the significant growth of China's population aged 65 or above will drive the demand for healthcare and medical services in China. The proportion of the population aged 65 or above in China has increased about 34.84% from 88.21 million in 2000 to 118.94 million in 2010. The rising life expectancy is also expected to contribute to the growth of China's aging population, both as an absolute number and as a percentage of the total population. There also has been an increase in the prevalence of diseases caused by social changes in the PRC, either directly or indirectly by adopting certain lifestyles, for example, smoking, physical exercise behavior, alcohol use etc. These trends are expected to drive up the demands for the relevant drugs, healthcare products and medical services in the PRC.

In the Twelfth Five-Year Plan, the pharmaceutical industry has been included as one of the industries that will be supported by the PRC government. The PRC government has not only made huge investments in innovative studies and encouraged development of the pharmaceutical industry, but also put forward the structural reform on the health care and medical system which will increase the medical expenditure. Meanwhile, the population growth, change of demography, improvement in living standards and the change of disease spectrums will also increase the need for pharmaceutical products.

Along with the positive support from the PRC government to the pharmaceutical industry as announced in the Twelfth Five-Year Plan, and the statistics of consumption expenditure on healthcare and medical services in China as disclosed in the Yearbook, we are of the view that the future prospect of pharmaceutical industry is promising. We also consider that the TP Acquisition is beneficial for the Group to increase its market share in the pharmaceutical industry and we concur with the Directors' view that the TP Acquisition is in the interests of the Company and the Independent Shareholders as a whole although the TP Acquisition is not in the ordinary and usual course of business of the Company.

(ii) Financial position of Tianda Pharmaceuticals Group

Set out below is the summarized financial information of Tianda Pharmaceuticals Group for the three financial years ended 31 December 2011 (as if completion of the Reorganisation has taken place) as extracted from the accountants' report on Tianda Pharmaceuticals Group in Appendix II of the Circular:

	For the year ended 31 December		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	65,087	76,870	95,434
(Loss)/Profit before taxation	(2,853)	1,363	5,433
Net (Loss)/Profit for the year	(2,853)	1,363	5,433

	As at 31 December		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Net (liabilities)/assets value	(3,398)	3,724	15,593

As illustrated from the above, the turnover of Tianda Pharmaceuticals Group increased by approximately 24.15% from approximately HK$76.87 million for the financial year ended 31 December 2010 to approximately HK$95.43 million for the financial year ended 31 December 2011. Tianda Pharmaceuticals Group's revenue was mainly generated from the PRC. The average gross profit margin for the three years ended 31 December 2011 is approximately 69.62%. The profit after taxation of Tianda Pharmaceuticals Group increased by approximately 299.26% from approximately HK$1.36 million for the financial year ended 2010 to approximately HK$5.43 million for the financial year ended 2011.

As at 31 December 2009, 31 December 2010 and 31 December 2011, the total assets of Tianda Pharmaceuticals Group were approximately HK$182.70 million, HK$189.20 million and HK$201.77 million respectively. Tianda Pharmaceuticals Group had net assets value of approximately HK$15.59 million as at 31 December 2011.

(iii) Comparable Companies Analysis

According to the Letter from the Board, Tianda Group irrevocably warrants and guarantees to the Company that the unaudited consolidated net profits after taxation of Tianda Pharmaceuticals Group will not be less than HK$18,500,000 ("Profit Guarantee") for the period commencing from the first day of the first month immediately after the date of TP Completion to the date falling 12 months after such date. If the actual unaudited consolidated net profit after taxation of Tianda Pharmaceuticals Group is less than HK$18,500,000, then Tianda Group shall pay to the Company in cash for the shortfall on a dollar to dollar basis. In the event that Tianda Pharmaceuticals Group made a loss during the relevant period, the maximum amount of compensation payable will be HK$18,500,000.

In determining the fairness and reasonableness of the consideration for the TP Acquisition, we have made reference to the price to earnings ratio ("P/E") of the other comparable listed companies ("Comparable Companies"). P/E is defined as the ratio of a company's current share price to its per share earning. It shows how much investors are willing to pay per dollar of earnings. The Comparable Companies (i) are listed on the Main Board of the Stock Exchange; (ii) have similar businesses with Tianda Pharmaceuticals Group which are principally engaged in the production and sales of pharmaceutical and biotechnology products; and (iii) had over 50% of total revenue derived from the production and sales of pharmaceutical and biotechnology products based on their respective latest annual reports. To the best of our knowledge, we have identified, on a best effort basis, 15 Comparable Companies and have reviewed their respective P/Es as at the date of the TP Agreement and made a comparison on this basis with the consideration of the TP Acquisition as detailed in the table below. We consider the Comparable Companies that we have reviewed and identified are exhaustive.

Name of Comparable Companies (stock code)	**Principal businesses**	**Share price** *(HK$)* *(Note 1)*	**P/E** *(Note 2)*
Sihuan Pharmaceutical Holdings Group Ltd. (460)	Manufacture and sale of pharmaceutical products.	3.03	15.493
Wuyi International Pharmaceutical Company Limited (1889)	Development, manufacturing, marketing and sales of pharmaceutical products.	0.415	10.224

Name of Comparable Companies (stock code)	Principal businesses	Share price *(HK$)* *(Note 1)*	P/E *(Note 2)*
China Shineway Pharmaceutical Group Limited (2877)	Research and development, manufacture and trading of Chinese pharmaceutical products.	11.76	10.507
Tong Ren Tang Technologies Co., Ltd. (1666)	Manufacturing and sales of Chinese Patent Medicine in the forms of granules, pills, tablets and soft capsules.	10.30	19.474
Shandong Xinhua Pharmaceutical Company Limited (719)	Development, production and sale of pharmaceutical raw materials, preparations, chemical products and other products.	1.88	9.377
Lansen Pharmaceutical Holdings Limited (503)	Development, production and sale of specialty prescription western pharmaceuticals for the treatment of autoimmune rheumatic diseases in the PRC.	2.27	9.759
China Pharmaceutical Group Limited (1093)	Manufacture and sale of pharmaceutical products.	1.78	11.687
Sino Biopharmaceutical Limited (1177)	Research and development, production and sale of a series of modernized Chinese medicines and chemical medicines.	2.08	22.246
Hua Han Bio-Pharmaceutical Holdings Limited (587)	Research and development, manufacture and sale of gynecological medicine, feminine medicinal healthcare products and bio-pharmaceutical products in the PRC.	1.56	6.833

Name of Comparable Companies (stock code)	Principal businesses	Share price *(HK$)* *(Note 1)*	P/E *(Note 2)*
The United Laboratories International Holdings Limited (3933)	Manufacture and sale of antibiotics finished products and the bulk medicine and intermediate products used to produce them, cough syrup, anti-allergy medicine and capsule casings.	3.53	44.125
Jiwa Bio-Pharma Holdings Limited (2327)	Research, manufacturing, sales and trading of pharmaceutical and health care products; manufacturing and sales of plants.	0.37	2.330
Essex Bio-Technology Limited (1061)	Development, manufacture and selling of biopharmaceutical products in the PRC.	0.7	11.745
Winteam Pharmaceutical Group Limited (570)	Production and sale of Chinese medicine and pharmaceutical products.	1.2	29.703
Lee's Pharmaceutical Holdings Limited (950)	Development, manufacturing and sales of pharmaceutical products.	3.11	17.374
China Grand Pharmaceutical and Healthcare Holdings Limited (512)	Manufacture and sales of pharmaceutical, healthcare products and chemical products.	0.35	12.411
		Maximum *(Note 4)*	**29.703**
		Minimum *(Note 4)*	**6.833**
		Average *(Note 4)*	**14.372**
Tianda Pharmaceuticals Group			**20.54** *(Note 3)*

Notes:

1. Based on the closing prices of the Comparable Companies on the date of TP Agreement.

2. P/E of the Comparable Companies are calculated based on their respective closing prices as at the date of the TP Agreement and the net profits as extracted from their respective latest annual reports divided by the total number of issued shares as at the dates of their respective balance sheets.

3. Calculated based on the consideration of the TP Acquisition and the Profit Guarantee (assuming the unaudited consolidated net profits after taxation of Tianda Pharmaceuticals Group will not be less than HK$18,500,000 for the period commencing from the first day of the first month immediately after the date of TP Completion to the date falling 12 months after such date under the Profit Guarantee).

4. We consider the P/E of The United Laboratories International Holdings Limited (stock code: 3933) (44.125 times) and the P/E of Jiwa Bio-Pharma Holdings Limited (stock code: 2327) (2.330 times) are outliers when comparing to the P/Es of other Comparable Companies. As such, we exclude the P/Es of these two companies in our computation of maximum, minimum and average P/E for comparison purposes.

5. This analysis is for illustration purposes only, the calculation of the P/E is based on the exchange rate of RMB1.00:HK$1.23 and US$1.00:HK$7.75.

P/E is the most commonly used valuation method for measuring the values of the companies. Among the 15 Comparable Companies, we consider the P/E of The United Laboratories International Holdings Limited (stock code: 3933) (44.125 times) and the P/E of Jiwa Bio-Pharma Holdings Limited (stock code: 2327) (2.330 times) are outliers ("Outliers") when comparing to the P/Es of other Comparable Companies. In order not to distort our analysis, we have excluded the P/Es of these two companies in our computation of maximum, minimum and average P/E for comparison purposes.

As shown in the above table, the P/Es of the Comparable Companies (excluding the Outliers) ranged from approximately 6.833 times to 29.703 times, with an average of 14.372 times. We have calculated the P/E of Tianda Pharmaceuticals Group as implied by the consideration of the TP Acquisition and the Profit Guarantee (the "TP Implied P/E"). It shows how much consideration the Company is paying per dollar of earning of Tianda Pharmaceuticals Group. Although the TP Implied P/E of 20.54 times is higher than the average P/E (excluding the Outliers) of the Comparable Companies (i.e. 14.372 times), it is below the highest P/E of the Comparable Companies (excluding the Outliers), which is 29.703. We consider that the TP Implied P/E is not high when compared to the Comparable Companies (excluding the Outliers). In other words, we consider that the TP Consideration is not high when compared to what the public values the Comparable Companies and the TP Consideration is fair and reasonable.

As advised by the Company, it is expected that the TP Acquisition would bring along synergies to, and increase the competitiveness of, its existing pharmaceutical and biotechnology business. As mentioned in the Letter from the Board, Tianda Pharmaceuticals Group has a strong marketing team and well established research and development team. This could bring synergy effect to the Group's existing pharmaceutical and biotechnology business, such as sharing of research expertise and wider coverage of sale network for the Group's pharmaceutical products. Through the TP Acquisition, in addition, the Company could position itself to further expand its pharmaceutical and biotechnology business and to grasp any business opportunity in the future. The Group has been actively looking for acquisition opportunities in pharmaceutical businesses. As discussed with the management of the Company, the Company had identified possible investment opportunities in acquiring interest in several companies engaging in pharmaceutical business in the PRC but negotiation is still at a preliminary stage without any term agreed. As confirmed by the Company, none of them would be discloseable under the Listing Rules as at the Latest Practicable Date. The Company also confirmed that all of these possible investment opportunities are still at preliminary stage and they are merely opportunities without any concrete plan or terms. No terms have been agreed and no understanding in relation to such opportunities has been reached.

At present, the major products of the Group sold for the past few years included "Cerebroprotein Hydrolysate for Injection", "Aceglutamide for Injection" and "Vinpocetine for Injection". Tianda Pharmaceuticals Group has an established sale network in the PRC, a diversified range of marketable products as well as a modernized production base which has sufficient space for future expansion. Tianda Pharmaceuticals Group has been developing other markets such as Australia and countries in South East Asia with a view to expand the sale and distribution network. We consider that the TP Acquisition enables the Group to expand its existing range of pharmaceutical products as well as to cover a wide variety of products offered by Tianda Pharmaceuticals Group. It also grasps the opportunity in an attempt to develop a large scale pharmaceutical group based in the PRC. This will help the Group to increase and diversifies its revenue base and increase the Company's market share in the PRC.

We noted that (i) the total assets of the Resulting Group will decrease after the completion of TP Acquisition and the Disposals under the "Unaudited pro forma financial information of the Resulting Group" in the Appendix III of the Circular, (ii) the TP Consideration represents a significant premium of approximately HK$206.12 million over the net assets value of approximately HK$15.59 million of Tianda Pharmaceuticals Group and the TP Sale Loan of approximately HK$158.294 million based on the consolidated financial results of

Tianda Pharmaceuticals Group as at 31 December 2011; and (iii) the TP Implied P/E of 20.54 times is higher than the average P/E (excluding the Outliers) of the Comparable Companies (i.e. 14.372 times). However, we consider that the aforesaid should be balanced against the facts that:

i) the TP Implied P/E is below the highest P/E of the Comparable Companies (excluding the Outliers);

ii) the prospects of the pharmaceutical industry in the PRC is promising;

iii) the premium paid in purchasing a profitable business which has demonstrated growth in its revenue over the past three years;

iv) the TP Acquisition not only enables the Group to expand its existing range of pharmaceutical products as well as to cover a wide variety of products offered by Tianda Pharmaceuticals Group but also grasps the opportunity in an attempt to develop a large scale pharmaceutical group based in the PRC. This will help the Group to increase and diversify its revenue base and increase the Company's market share in the PRC;

v) the net assets attributable to the Shareholders will increase from HK$682 million to HK$689 million as per the "Unaudited pro forma financial information of the Resulting Group" in the Appendix III of the Circular;

vi) the TP Acquisition will contribute additional revenue streams to the Group and allow the Group to expand the core pharmaceutical and biotechnology business since additional production lines can be installed in the production base at Zhuhai; and

vii) the sharing of research abilities and sales network can save a significant amount of research and development cost and marketing cost,

we concur with the Directors' view that the TP Acquisition, including the terms and conditions and other major terms of the TP Agreement and the TP Consideration (including the basis to determine the TP Consideration) is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole although the TP Acquisition is not in the ordinary and usual course of business of the Group.

5 The TMY Disposal

For assessing the fairness and reasonableness of the TMY Disposal and the TMY Consideration, we have performed the following independent works, including (i) reviewed the background information of Tianda Yunnan Group, (ii) reviewed the unaudited consolidated management accounts of Tianda Yunnan Group and the pro forma financial information of the Resulting Group, (iii) reviewed the TMY Agreement and the Circular, and (iv) discussed with management of the Company relating to the TMY Disposal, the plans and business prospects of the Resulting Group and the stage in progress for mining projects at each of Dongchuan District, Huize County and Weixi County in Yunnan Province.

(A) Background of Tianda Yunnan Group

Tianda Yunnan is principally engaged in investment holding and its subsidiaries are principally engaged in exploration and development of mineral resources. As disclosed in the Interim Report, Tianda Yunnan Group is currently holding exploration licences for mining projects at each of Dongchuan District, Huize County and Weixi County in Yunnan Province and they are in a stage of general geological survey. As advised by the Company, the certificate of approval for exploration of mineral resources for a mining project in Deqin County has been under application.

Preliminary survey reported ores of lead, zinc, copper, iron and phosphor for the tenement located in Tangdan Town, Dongchuan District. For the tenement located in Shuangshitou, Huize County, preliminary survey reported potential ore deposits. However, preliminary survey is underway for the tenement located in Diqing Tibetan Autonomous Prefecture, Weixi County in Yunnan province.

(B) Background of the TMY Disposal

According to the TMY Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire the TMY Sale Shares, representing 51% of the issued share capital of Tianda Yunnan for the consideration of HK$10,800,000. The consideration for the sale and purchase of the TMY Sale Shares shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at the TMY Completion.

According to the Letter from the Board, the TMY Consideration was arrived at after arm's length negotiations between the Company and Tianda Group and was determined with reference to the consolidated net asset value of Tianda Yunnan Group of approximately HK$10.44 million as at 31 December 2011. Based on the unaudited consolidated management accounts of Tianda Yunnan Group as at 31 December 2011, the Company estimated that there will be a gain on disposal of approximately HK356,000, subject to audit, as a result of the TMY Disposal.

(C) Evaluation of the TMY Consideration

Set out below is the summarized unaudited consolidated financial information for the two years ended 31 March 2011 and the six months ended 30 September 2011 based on the unaudited consolidated management accounts of Tianda Yunnan Group:

	For the year ended 31 March 2010	**For the year ended 31 March 2011**	**For the six months ended 30 September 2011**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	–	–	–
Other Income	419	158	104
Net loss before taxation	(1,507)	(2,123)	(673)
Net loss after taxation	(1,507)	(2,123)	(675)

	As at 31 March 2010	**As at 31 March 2011**	**As at 30 September 2011**
	HK$'000	*HK$'000*	*HK$'000*
Net asset value	14,852	13,497	13,247

As depicted from the table above, Tianda Yunnan Group had yet to generate any revenue and had incurred a net loss after taxation amounted to approximately HK$2.12 million for the year ended 31 March 2011 (2010: net loss of approximately HK$1.51 million) and approximately HK$0.68 million for the six months ended 30 September 2011. The Directors expect that further costs will be incurred for the four mining projects to bring it to the exploration stage and commercial production, including but not limited to, purchase of mining equipment and facilities and production equipment.

According to the "Unaudited Pro Forma Financial Information of the Resulting Group" in Appendix III of the Circular, the net asset value of Tianda Yunnan Group attributable to the Group as at 30 September 2011 was approximately HK$10.37 million. By comparing with the TMY Consideration of HK$10.8 million, it represents a premium of approximately 4.15% over the attributable net asset value of Tianda Yunnan Group to the Group. It is expected that the Company will record a gain in approximately HK$434,000 (subject to audit) from the TMY Disposal, being the difference between the TMY Consideration and Tianda Yunnan Group's contribution to the assets and liabilities of the Group as at the completion date.

Price earnings multiple is usually considered to be a common method in evaluating a company based on its historical earnings. However, as Tianda Yunnan Group had incurred net losses for the previous two years, it is inappropriate to apply the price earnings multiple method in this case. In consideration of the TMY Disposal, the management of the Company took into account of (i) the prolonged application for the exploration rights and the geological research period of all mines and (ii) further investments in the mining project would draw additional cash resources from the Group. We have discussed with the management of the Company in regards to the Tianda Yunnan Group and noted that the general geological survey at each of Dongchuan District, Huize County and Weixi County in Yunnan Province is progressing at a prolonged period of time and the application for the exploration rights for a mining project in Deqin County is time consuming. We have also reviewed the capex budget for mining projects of Tianda Yunnan Group and foresee that further costs will be incurred in the future. It is expected that the general geological survey, exploration work and the ongoing development shall require capital injection by the Group. Based on the foregoing, we consider that it is in the interests of the Company and the Independent Shareholders to dispose the shareholding in Tianda Yunnan Group so as to free up more cash resources from the need for substantial capital investment for Tianda Yunnan Group's operation and can deploy more resources to the pharmaceutical and biotechnology business.

In light of the fact that (i) Tianda Yunnan Group had incurred net losses for the previous two years and had yet to generate any income or cashflow to the Company; (ii) all mining projects at each of Dongchuan District, Huize County and Weixi County in Yunnan Province remain in greenfield stage and general geological survey were completed; (iii) it is expected that the general geological survey, exploration work and the ongoing development shall require capital injection by the Group; (iv) the TMY Consideration of HK$10.8 million represents a premium of approximately 4.15% over the attributable net asset value of Tianda Yunnan Group to the Group and (v) there will be a gain on TMY Disposal of approximately HK$434,000, subject to audit, we consider that the TMY Consideration (including the basis to determine the TMY Consideration) is fair and reasonable so far as the Independent Shareholders are concerned.

6 The HL Disposal

For assessing the fairness and reasonableness of the HL Disposal and the HL Consideration, we have performed the following independent works, including (i) reviewed the background information of Heroway Group and Yunyu Bio-Pharmaceutical Group, (ii) reviewed the unaudited consolidated management accounts of Heroway Group, Yunyu Bio-Pharmaceutical Group and the pro forma financial information of the Resulting Group, (iii) reviewed the HL Agreement and the Circular, and (iv) discussed with management of the Company relating to the HL Disposal, the plans and business prospects of the Resulting Group and the stage in progress for a gold mine project in Maqu County, Gansu Province.

(A) Background of Heroway Group

Heroway is principally engaged in investment holding and its subsidiaries are principally engaged in exploration and development of mineral resources in Gansu Province, the PRC. At present, Heroway is holding 51% equity interests in Tianda Mining (Gansu) Limited which in turn holds the entire issued share capital of Gansu Tianda Mining Limited ("Gansu Tianda Mining"). Gansu Tianda Mining holds 60% equity interests in Gansu Maqu Tianda Gold Mining Limited ("Gansu Maqu"). According to the 2011 Interim Report, the principal business activities of Heroway Group include exploration, exploitation, smelting and processing of gold and other minerals in Maqu County, Gansu Province. The gold mining project covers an area of approximately 23 square kilometers in Maqu County, Gansu Province and is adjacent to Dashui Gold Mine. According to the Company, the mining project remains in greenfield stage.

(B) Background of the HL Disposal

According to the HL Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire (i) the HL Sale Share, representing the entire issued share capital of Heroway and (ii) the HL Sale Loan of approximately HK$4,607,000 (as at 31 December 2011) for the total consideration of HK$3,400,000. The consideration for the sale and purchase of the HL Sale Share and the HL Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at the HL Completion.

According to the Letter from the Board, the HL Consideration was arrived at after arm's length negotiations between the Company and Tianda Group and determined with reference to the net liabilities value of Heroway Group of approximately HK$1.2 million (assuming that the net assets value of Yunyu Bio-Pharmaceutical Group as at 31 December 2011 has been excluded and Yunyu Bio-Pharmaceutical Group had already been transferred out) and the amount of the HL Sale Loan of approximately HK$4.6 million. Based on the consolidated management accounts of the Heroway Group as at 31 December 2011, the Company estimated that there will be a gain on the disposal of approximately HK$4,000, subject to audit, as a result of the HL Disposal.

We have discussed with the management of the Company relating to the HL Disposal. The Company established Gansu Maqu (a joint venture company undertaking a project for gold mine exploration in Maqu County, Gansu Province) with Tianda Group in 2010 with a view of exploring a new income stream for the Group and obtaining support of technical expertise from Tianda Group. However, the mining business took up resources from the Group but has no income contribution for the time being. As further advised by the Company, there has not been any preliminary general geological survey/exploration work commenced since the formation of the joint venture with Tianda Group as the joint venture has yet obtained the exploration licence. The Company foresaw that it will take a period of time to apply the exploration licence for a gold mine project in Maqu County and expected that general geological survey, exploration work and the ongoing development may require capital injection by the Group, which may in turn draw up cash resources from the Group's core and profitable pharmaceutical and biotechnology business in the future. Based on the foregoing, we consider that it is in the interests of the Company and the Independent Shareholders to dispose the shareholding in Heroway so as to free up more cash resources from the need for substantial capital investment for Heroway Group's operation and can deploy more resources to the pharmaceutical and biotechnology business.

(C) Evaluation of the HL Consideration

Set out below is the summarised financial information of Heroway Group and Yunyu Bio-Pharmaceutical Group for the two years ended 31 March 2011 and the six months ended 30 September 2011 and the summarised financial information of Heroway Group (assuming the financial information of Yunyu Bio-Pharmaceutical Group being excluded) based on the unaudited consolidated management accounts of Heroway Group:

	Heroway Group			Yunyu Bio- Pharmaceutical Group			Heroway Group (excludes financial information of Yunyu Bio- Pharmaceutical Group)		
	For the year ended 31 March 2010	For the year ended 31 March 2011	For the six months ended 30 September 2011	For the year ended 31 March 2010	For the year ended 31 March 2011	For the six months ended 30 September 2011	For the year ended 31 March 2010	For the year ended 31 March 2011	For the six months ended 30 September 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	77,474	103,661	51,644	77,474	103,661	51,644	–	–	–
Profit/(Loss) before taxation	52,687	89,214	36,667	52,933	90,024	36,777	(246)	(810)	(110)
Profit/(Loss) after taxation	42,676	74,540	29,835	42,922	75,350	29,945	(246)	(810)	(110)

	Heroway Group			Yunyu Bio- Pharmaceutical Group			Heroway Group (excludes financial information of Yunyu Bio- Pharmaceutical Group)		
	As at 31 March 2010	As at 31 March 2011	As at 30 September 2011	As at 31 March 2010	As at 31 March 2011	As at 30 September 2011	As at 31 March 2010	As at 31 March 2011	As at 30 September 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net assets/(liabilities) value	77,630	152,321	158,372	78,802	152,654	158,682	(1,172)	(333)	(310)

In light of the pharmaceutical and biotechnology business being the industry in which the Group focuses its resources and development in recent years and as part of the internal reorganization of the Group prior to the HL Disposal, Heroway transferred the entire issued share capital of Yunyu Bio-Pharmaceutical (the holding company for the Group's existing pharmaceutical and biotechnology business which will be retained by the Group after the HL Disposal) to the Company on 1 February 2012. At present, the major asset of Yunyu Bio-Pharmaceutical Group is the 55% equity interest in Meng Sheng Pharmaceutical. Meng Sheng Pharmaceutical is the existing pharmaceutical and biotechnology business arm of the Group.

According to the Letter from the Board, the financial information of Heroway Group for the year ended 31 March 2011 includes the financial information of Yunyu Bio-Pharmaceutical Group, which had been transferred by Heroway to the Company since 1 February 2012. As depicted from the above table, assuming that the internal reorganization of the Group (i.e. the internal transfer of Yunyu Bio-Pharmaceutical) was completed on 31 March 2011 and the financial information of Yunyu Bio-Pharmaceutical Group being excluded from Heroway Group for the year ended 31 March 2011, Heroway Group did not generate any revenue but had incurred loss after taxation of approximately HK$810,000 (six months ended 30 September 2011: HK$110,000). Heroway Group had only other sundry income of approximately HK$99,000 for the year ended 31 March 2011 and HK$109,500 for the six months ended 30 September 2011 (assuming that the financial information of Yunyu Bio-Pharmacutical Group has been excluded and Yunyu Bio-Pharmaceutical Group had already been transferred out).

According to the unaudited consolidated management accounts of Heroway Group, the net asset value of the Heroway Group was approximately HK$158.37 million as at 30 September 2011. Assuming that the internal reorganization of the Group (i.e. the internal transfer of Yunyu Bio-Pharmaceutical) was completed on 31 March 2011 and the assets and liabilities of Yunyu Bio-Pharmaceutical Group were excluded from Heroway Group, Heroway would record net liabilities of approximately HK$310,000.

Taking into account that (i) Heroway Group had not generated revenue for the two years ended 31 March 2011 and the six months ended 30 September 2011 (assuming that the financial information of Yunyu Bio-Pharmacutical Group has been excluded and Yunyu Bio-Pharmaceutical Group had already been transferred out); (ii) the gold mining project remains in greenfield stage as preliminary general geological survey and exploration work has not yet commenced since the formation of the joint venture with Tianda Group in 2010 (iii) the joint venture has yet obtained the exploration licence for a gold mine project in Maqu Country; (iv) it is expected that the general geological survey exploration work and the ongoing development may require capital injection by the Group and; (v) the net liabilities of Heroway Group were approximately HK$310,000 as at 30 September 2011 if the assets and liabilities of Yunyu Bio-Pharmaceutical Group were excluded, we consider that the HL Consideration (including the basis to determine the HL Consideration) is fair and reasonable so far as the Independent Shareholders are concerned.

(D) Deed of assignment of the HL Sale Loan

According to the Letter from the Board, the deed of assignment of the HL Sale Loan will be executed between the parties to the HL Agreement on the HL Completion. The Company (the assignor) and Tianda Group (the assignee) will enter into a deed of assignment pursuant to which the Company shall assign all of its rights under the HL Agreement to Tianda Group (the "HL Loan Assignment"). In consideration of the HL Consideration for the sale and purchase of the HL Sale Share and HL Sale Loan, the Company as the legal and beneficial owner will irrevocably assign Tianda Group all obligations, liabilities and debts owing or incurred by Heroway to the Company on or at any time prior to HL Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on HL Completion. As at 31 December 2011, HL Sale Loan amounted to approximately HK$4.607 million.

Conclusion for the TMY Disposal and the HL Disposal

As advised by the management of the Company, as of 29 February 2012, the Group had already spent a total of approximately RMB5.25 million (approximately HK$6.46 million) on all mining projects for Tianda Yunnan Group. We concur with the Directors' view that further investment into Tianda Yunnan Group and Heroway Group for the mining projects would draw additional cash resources from the Group's core and profitable pharmaceutical and biotechnology business, which may in turn causing a negative impact on the Shareholders value of the Company. Based on the foregoing and our analysis on the TMY Disposal and the HL Disposal above, we are of the view that each of TMY Agreement and the HL Agreement is on normal commercial terms and each of TMY Disposal and the HL Disposal (including the terms and conditions of each of the TMY Agreement and the HL Agreement and their other major terms and their basis of consideration) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole although the TMY Disposal and the HL Disposal are not in the ordinary and usual course of business of the Company.

7 The CCP Disposal

For assessing the fairness and reasonableness of the CCP Disposal and the CCP Consideration, we have performed the following independent works, including (i) reviewed the background information of Cheng Cheng Printing Group, (ii) reviewed the unaudited consolidated management accounts of Cheng Cheng Printing Group and the pro forma financial information of the Resulting Group, (iii) reviewed the CCP Agreement and the Circular, (iv) researched other Hong Kong listed companies with principal business activities similar to those of Cheng Cheng Printing Group and made reference to their price to earnings ratios and price to book value ratios, (v) evaluated the recent printing operating environment in the PRC, (vi) reviewed the cost analysis of Cheng Cheng Printing Group and (vii) discussed with management of the Company relating to the CCP Disposal, the plans and business prospects of the Resulting Group and the printing operating environment in the PRC.

(A) Background of Cheng Cheng Printing Group

Cheng Cheng Printing is principally engaged in investment holding and its subsidiaries are principally engaged in the manufacture of packaging and other printing products in the PRC. Most of the products of Cheng Cheng Printing Group are cigarette packaging boxes. Cheng Cheng Printing Group also engages in the printing of packaging boxes and instructions for pharmaceutical and consumer products. Hongtashan, Yuxi and Baisai are their major brands of customers.

On 1 October 2010, the Company acquired 100% in Cheng Cheng Printing Group which is holding 60% equity interests in Zhuhai Cheng Cheng from Tianda Group at a consideration of HK$200 million. Since then, the results of Cheng Cheng Printing Group have been consolidated into the Group's financial results. According to the Interim Report, the unaudited revenue and gross profit attributable from Cheng Cheng Printing amounted to approximately HK$137.0 million and HK$38.1 million respectively.

(B) Background of the CCP Disposal

According to the CCP Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire (i) the CCP Sale Shares, representing the entire issued share capital of Cheng Cheng Printing and (ii) the CCP Sale Loan of approximately HK$100,813,000 (as at 31 December 2011), for a consideration of HK$233,000,000. The consideration for the sale and purchase of the CCP Sale Shares and the CCP Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at CCP Completion.

According to the Letter from the Board, the CCP Consideration was arrived at after arm's length negotiations between the Company and Tianda Group and was determined with reference to (i) business outlook and future prospects of Cheng Cheng Printing Group; (ii) valuation of AMVIG Holdings Limited ("AMVIG") which is engaged in similar industry; and (iii) the financial position and profitability of Cheng Cheng Printing Group. As disclosed in the Letter from the Board, the Company made reference to the price earning multiple of about 7 times of AMVIG (a Hong Kong listed company which is engaged in the similar industry with Cheng Cheng Printing Group) and the competitive operating environment of Cheng Cheng Printing Group. Our analysis on the printing operating environment and the research on other Hong Kong listed companies with principal business activities similar to those of the Cheng Cheng Printing Group are described under the section headed "C. Evaluation of the CCP Consideration" below.

As further advised by the Company, the Company did not take into account the original cost of the Cheng Cheng Printing Acquisition of HK$200,000,000 in determining the CCP Consideration. We concur with the Directors' view that it is not valid to compare the CCP Consideration with the original cost of the Cheng Cheng Printing Acquisition as it may not reflect the accumulated post-acquisition profits of Cheng Cheng Printing Group after Cheng Cheng Printing Acquisition. Based on the consolidated management accounts of Cheng Cheng Printing Group as at 31 December 2011, the Company estimated that there will be a gain on the disposal of approximately HK$4,394,000, subject to audit, as a result of the CCP Disposal.

(C) Evaluation of the CCP Consideration

Set out below is the summarized unaudited financial information of the Cheng Cheng Printing Group for the period from 1 October 2010 to 31 March 2011 and the six months ended 30 September 2011 based on the unaudited consolidated management accounts of Cheng Cheng Printing Group:

	For the period from 1 October 2010 to 31 March 2011	**For the six months ended 30 September 2011**
	HK$'000	*HK$'000*
Revenue	97,056	137,033
Gross Profit	35,745	43,386
Profit before taxation	24,608	27,562
Profit after taxation	20,337	22,105

	As at 31 March 2011 HK$'000	As at 30 September 2011 HK$'000
Net assets value	101,206	128,783

As noted from the above table, Cheng Cheng Printing Group recorded the revenue of approximately HK$97.06 million and net profit after taxation of approximately HK$20.34 million for the period from 1 October 2010 to 31 March 2011. Cheng Cheng Printing Group had unaudited consolidated net assets of approximately HK$128.78 million as at 30 September 2011.

(a) The printing operating environment in the PRC

Packaging and printing is a competitive industry. According to the Company, Cheng Cheng Printing Group is facing intense competition from printing companies with respect to quality, price, manufacturing capacity and technology. Paper is the main raw materials in the printing industry. The purchase of papers accounted for approximately 70% of the total raw materials purchased in the financial year of 2011. As a result of the soaring prices of raw materials and the increase in average labour costs in the PRC, the packaging and printing business in the PRC is highly competitive and constitute a challenge to the future growth of Cheng Cheng Printing Group.

According to the website of the World Data Bank (an online database from the World Bank which contains a collection of development indicators, compiled from officially-recognized international sources) (http://databank.worldbank.org), despite the global economic downturn which occurred at the end of 2008, the price of wood pulp (the main raw material in paper-marking) has increased from US$635.48 per metric ton in 2005 to US$899.65 per metric ton in 2011. The global economic downturn has taken a toll on the packaging industry, as a result, the demand for paper lowered and the price of wood pulp in 2009 dropped to US$614.60 per metric ton. Nevertheless, the price of wood pulp soared back to US$866.79 per metric ton in 2010 and US$899.65 per metric ton in 2011.

According to the unaudited consolidated management accounts of Cheng Cheng Printing Group for the twelve months ended 31 December 2011, the unaudited revenue was approximately HK$271.20 million and net profit after taxation (exclude non-controlling interest) was approximately HK$27.13 million. We have reviewed the average selling price of cigarette packaging boxes of Cheng Cheng Printing Group for the past two years and noted that the average selling prices are in a decreasing trend. In light of the increased prices of wood pulp in the global market and upward pressure on labour costs in the PRC, we concur with the Directors' view that the drop of the selling prices, the increase in raw material prices had put pressure on Cheng Cheng Printing Group's profitability. It is no assurance that Cheng Cheng Printing Group will be able to maintain the existing gross profit margin or operating profit margin in the future.

(b) Net Asset Value of Cheng Cheng Printing Group

The CCP Consideration represented an excess of HK$104,217,000 or a premium of 80.92% over the consolidated net asset value of Cheng Cheng Printing Group as at 30 September 2011.

(c) Comparable Analysis

In order to assess the fairness and reasonableness of the CCP Consideration, on a best effort basis, we have researched other Hong Kong listed companies with principal business activities similar to those of the Cheng Cheng Printing Group. We understood that the major products of Cheng Cheng Printing Group are cigarette packaging products. Based on the information available on the website of the Main Board of the Stock Exchange, we have identified, so far as we are aware of, AMVIG Holdings Limited ("AMVIG") and Kith Holdings Limited ("Kith") ("Printing Comparable Companies"), both are listed on the Stock Exchange and engage in the cigarette packaging business in the PRC, which are in line with the principal business activities of Cheng Cheng Printing Group. However, due to the fact that Kith's revenue generated from paper and printing business was less than 50% as shown in its latest financial report, we have excluded Kith for comparison purpose. We consider the Printing Comparable Companies that we have reviewed and identified are exhaustive.

P/E is defined as the ratio of a company's current share price to its per share earning. While price to book value ratio is defined as the ratio of a company's current share price to its latest book value per share. We noted that the P/E and P/BV of AMVIG as at the date of CCP Agreement were approximately 7.08 times and 0.85 times respectively. Based on the unaudited consolidated financial information of Cheng Cheng Printing Group for the twelve months ended 31 December 2011, the implied P/E represented by the CCP Consideration (the "CCP Implied P/E") is approximately 8.59 times. Based on the financial information of Cheng Cheng Printing Group as at 30 September 2011, the implied P/BV represented by the CCP Consideration (the "CCP Implied P/BV") is 1.81 times. As such, the CCP Implied P/E and the CCP Implied P/BV are both higher than the P/E and P/BV of AMVIG as at the date of CCP Agreement. It means that the valuation of Cheng Cheng Printing Group as implied by the CCP consideration is higher than the valuation of AMVIG, a company with similar principal business activities and with shares trading on the main board of the Stock Exchange, as represented by AMVIG's P/E and P/BV as at the date of CCP Agreement. As such, we consider that CCP Consideration (including the basis to determine the CPP consideration) is fair and reasonable.

We noted that the Company just completed the Cheng Cheng Printing Acquisition on 1 October 2010 and contributed revenue and net profit to the Group for the six months ended 30 September 2011. However, we consider that it should be balanced against the facts, in particular,

i) the decrease in average selling price of cigarette packaging boxes, the increase in raw material prices (price of wood pulp) and the increase in average labour costs in the PRC had put pressure on Cheng Cheng Printing Group's profitability;

ii) there is no assurance that Cheng Cheng Printing Group will be able to maintain the existing gross profit margin in the future;

iii) the CCP Consideration represents a premium over the net asset value of Cheng Cheng Printing Group;

iv) the Company expects that there will be a gain on CCP Disposal of approximately HK$4.4 million, subject to audit;

v) the CCP Implied P/E and the CCP Implied P/BV are both higher than the P/E and P/BV of AMVIG as at the date of CCP Agreement, which infers that the valuation of Cheng Cheng Printing Group as implied by the CCP consideration is higher than the valuation of AMVIG; and

vi) the favorable factors for the pharmaceutical and biotechnology industry contrasted with those faced by printing and packaging business,

we concur with the Directors' view that the CCP Disposal provides an opportunity to dispose Cheng Cheng Printing Group so that the Company can deploy the Group's resources in a more efficient and beneficial way. We are also of the view that the CCP Agreement is on normal commercial terms and the CCP Disposal (including the terms and conditions of the CCP Agreement and other major terms, the CCP Consideration and the basis to determine the CCP Consideration) is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole although the CCP Disposal is not in the ordinary and usual course of business of the Company.

(D) Deed of assignment of the CCP Sale Loan

According to the Letter from the Board, the deed of assignment of the CCP Sale Loan will be executed between the parties to the CCP Agreement on the CCP Completion. The Company (the assignor) and Tianda Group (the assignee) will enter a deed of assignment pursuant to which the Company shall assign all of its rights under the CCP Agreement to Tianda Group (the "CCP Loan Assignment"). In consideration of the CCP Consideration for the sale and purchase of the CCP Sale Shares and CCP Sale Loan, the Company as the legal and beneficial owner irrevocably will assign Tianda Group all obligations, liabilities and debts owing or incurred by Cheng Cheng Printing to the Company on or at any time prior to CCP Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on CCP Completion. As at 31 December 2011, CCP Sale Loan amounted to approximately HK$100.813 million.

8 The YH Disposal

For assessing the fairness and reasonableness of the YH Disposal and the YH Consideration, we have performed the following independent work, including (i) reviewed the background information of Yunyu Holdings Group, (ii) reviewed the unaudited consolidated management accounts of Yunyu Holdings Group and the pro forma financial information of the Resulting Group, (iii) reviewed the YH Agreement and the Circular, (iv) evaluated the recent printing operating environment in the PRC, (v) reviewed the cost information of Yunyu Holdings Group and (vii) discussed with management of the Company relating to the YH Disposal, the plans and business prospects of the Resulting Group and the printing operating environment in the PRC.

(A) Background of Yunyu Holdings Group

Yunyu Holdings is a wholly-owned subsidiary of the Company. It is principally engaged in investment holding and is holding 25% equity interests in Yunnan Huaning Xingning Colour Material Printing Company Limited ("Yunnan Xingning") as well as 18.75% equity interests in Yuxi Globe Colour Printing Carton Company Limited ("Yuxi Globe Colour"). Both Yunnan Xingning and Yuxi Globe Colour are engaged in the printing and sale of cigarette packaging packs and boxes in the PRC. The production bases of Yunnan Huaning Xingning and Yuxi Globe Colour are located in Yunnan province, the PRC.

(B) Background of the YH Disposal

According to the YH Agreement, the Company has agreed to sell and Tianda Group has agreed to acquire (i) the YH Sale Shares, representing the entire issued share capital of Yunyu Holdings and (ii) the YH Sale Loan of approximately HK$25.04 million, for a consideration of HK$55,000,000. The consideration for the sale and purchase of the YH Sale Shares and the YH Sale Loan shall be satisfied by Tianda Group by setting off such amount against part of the TP Consideration at YH Completion. The YH Consideration of HK$55 million, represents an excess of HK$31.07 million over the consolidated net asset value of Yunyu Holdings Group as at 30 September 2011.

According to the Letter from the Board, the YH Consideration was arrived at after arm's length negotiations between Tianda Group and the Company and was determined with reference to (i) business outlook and future prospects of Yunyu Holdings Group; (ii) valuation of AMVIG which is engaged in similar industry; and (iii) the financial position and profitability of Yunyu Holdings Group. According to the consolidated management accounts of Yunyu Holdings Group as at 31 December 2011, the Company estimated that there will be a gain on disposal of approximately HK$5.93 million, subject to audit, as a result of the YH Disposal.

(C) Evaluation of the YH Consideration

Set out below is the summarised unaudited financial information for the two years ended 31 March 2011 and six months ended 30 September 2011 of Yunyu Holdings Group attributable to the Group:

	For the year ended 31 March 2010	For the year ended 31 March 2011	For the six months ended 30 September 2011
	HK$'000	*HK$'000*	*HK$'000*
Dividend income	4,674	5,630	–
Share of results in an associate	1,230	1,981	847
Profit before taxation	5,988	7,574	977
Profit after taxation	5,754	6,916	977

	As at 31 March 2010	As at 31 March 2011	As at 30 September 2011
	HK$'000	*HK$'000*	*HK$'000*
Net assets value	14,639	22,338	23,934
Net current assets	8,323	15,203	29

As depicted from the table above, Yunnan Xingning's income attributable to the Group amounted to approximately HK$1.98 million for the year ended 31 March 2011. The Group also recorded dividend income from Yuxi Globe Colour of approximately HK$5.63 million for the year ended 31 March 2011. According to the unaudited management accounts of Yuxi Globe Color and Yunnan Xingning for the year ended 31 December 2011, Yuxi Globe Color and Yunnan Xingning recorded the revenue of approximately HK$150.87 million and HK$49.14 million respectively (31 December 2010: Yuxi Globe Color and Yunnan Xingning recorded the revenue of approximately HK$148.54 million and HK$44.38 million respectively). As compared to the financial information of Yuxi Globe Color and Yunnan Xingning for the year ended 31 December 2010, the net profit after taxation of Yuxi Globe Color dropped from approximately HK$31.46 million to HK$29.95 million while the net profit after taxation of Yunnan Xingning increased from approximately HK$5.05 million to approximately HK$7.31 million. Yunyu Holdings Group had net asset of approximately HK$23.93 million as at 30 September 2011. Its net current assets were amounted to approximately HK$29,000. Although both companies had a profitable track record, we consider that the benefits attributed to the Group as a whole are limited since Yunnan Xingning and Yuxi Globe Colour are the associated company and the investee of the Group respectively.

One of the bases for determining the YH Consideration is the price earning multiple method. We note that the operating scale of Yunnan Xingning and Yuxi Globe Color are different from AMVIG and Yunyu Holdings only holds 25% equity interest in Yunnan Xingning and 18.75% equity interest in Yuxi Globe Color. However, we consider that there is no other business for Yunyu Holdings which means all the profit of Yunyu Holdings Group comes from Yunnan Xingning and Yuxi Globe Color (in the form of dividends payout) which are both principally engaged in the packaging and printing of cigarette packs and boxes business. As such, we consider that comparing the implied P/E and the implied P/BV of Yunyu Holdings Group with that of AMVIG will be appropriate for the purpose of our analysis.

According to the unaudited financial information of Yunyu Holdings Group for the year ended 31 March 2011, Yunyu Holdings Group recorded an unaudited net profit of approximately HK$6.92 million. The implied P/E of the YH Disposal represented by the YH Consideration is 7.95 times, which is higher than the P/E of AMVIG of 7.08 times as at the date of the YH Agreement. Moreover, based on the unaudited financial information of Yunyu Holdings Group as at 31 March 2011, the implied P/BV of the YH Disposal represented by the YH Consideration is 2.46 times, which is higher than the P/BV of AMVIG of 0.85 times as at the date of the YH Agreement. It means that the valuation of Yunyu Holdings Group as implied by the YH Consideration is higher than the valuation of AMVIG, a company with similar principal business activities and with shares trading on the main board of the Stock Exchange, as represented by AMVIG's P/E and P/BV as at the date of YH Agreement. Also, as confirmed by the Company, the intention to hold Yunnan Xingning and Yuxi Globe Color are passive investment and it has no intention to further increase the equity interests in both companies in the near future. As such, we consider that YH Consideration is fair and reasonable.

We have also analyzed the printing operating environment of Yunyu Holdings Group in the PRC. Despite the global economic downturn which occurred at the end of 2008, the price of wood pulp (the main raw material in paper-marking) has increased from US$635.48 per metric ton in 2005 to US$899.65 per metric ton in 2011. As a result of the soaring prices of raw materials and the increase in average labour costs in the PRC, the packaging and printing business in the PRC is highly competitive and we consider that it will constitute a challenge to the future growth of both Yunnan Xingning and Yuxi Globe Colour.

Although Yunyu Holdings' investments can provide a stable source of income to the Group, the Directors expected that the packaging and printing business will face severe competition in the coming years in light of the soaring prices of raw materials and the increase in average labour costs in the PRC. We consider that the YH Disposal presents a good opportunity for the Company as the Company's intention to hold Yunnan Xingning and Yuxi Globe Color are passive investment. It also has no intention to further increase the equity interests in both companies in the near future. Upon our enquiry, the board of directors of Yunnan Xingning and Yuxi Globe Color comprise 5 directors and 8 directors respectively. We noted that the Company has only appointed 2 directors and 1 director into the board of directors of Yunnan Xingning and Yuxi Globe Color respectively. As such, the Company has no significant influence over any dividend payout policy and any other major decisions of Yunnan Xingning and Yuxi Globe Color.

Taking into account that:

i) the Group is intended to focus on the pharmaceutical and biotechnology operations in the future;

ii) the YH Consideration exceeds the consolidated net asset value of Yunyu Holdings of approximately HK$24,038,000 and the YH Sale Loan of approximately HK$25,036,000 as at 31 December 2011 and it is anticipated there will be a gain on disposal (subject to audit);

iii) the increase in raw material prices (price of wood pulp), the drop in average selling price of cigarette packaging boxes and the increase in average labour costs had put pressure on the printing industry in the PRC;

iv) the YH Disposal presents a good opportunity for the Company as the Company's intention to hold Yunnan Xingning and Yuxi Globe Color are passive investment. It also has no intention to further increase the equity interests in both companies in the near future;

v) the Company has no significant influence over any dividend payout policy and any other major decisions of Yuxi Globe Color and Yunnan Xingning; and

vi) the favorable factors for the pharmaceutical and biotechnology industry contrasted with those faced by printing and packaging business,

we concur with the Directors' view that the YH Disposal provides an opportunity to dispose Yunyu Holdings Group so that the Company can deploy the Group's resources in a more efficient and beneficial way. We are also of the view that the YH Agreement is on normal commercial terms and the YH Disposal (including the terms and conditions and other major terms of the YH Agreement, the YH Consideration and the basis to determine the YH Consideration) is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole although the YH Disposal is not in the ordinary and usual course of business of the Company.

(D) Deed of assignment of the YH Sale Loan

According to the Letter from the Board, the deed of assignment of the YH Sale Loan will be executed between the parties to the YH Agreement on the YH Completion. The Company (the assignor) and Tianda Group (the assignee) will enter a deed of assignment pursuant to which the Company shall assign all of its rights under the YH Agreement to Tianda Group (the "YH Loan Assignment"). In consideration of the YH Consideration for the sale and purchase of the YH Sale Shares and YH Sale Loan, the Company as the legal and beneficial owner will irrevocably assign Tianda Group all obligations, liabilities and debts owing or incurred by Yunyu Holdings to the Company on or at any time prior to YH Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on YH Completion. As at 31 December 2011, YH Sale Loan amounted to approximately HK$25.04 million.

FINANCIAL EFFECTS OF THE TP ACQUISITION AND THE DISPOSALS

1. Earnings

Upon completion of the TP Acquisition, the Company will hold Tianda Pharmaceuticals which in turn holds Tianda Pharmaceuticals (HK) Group and Tianda Biotech Group. Accordingly, the entire financial results of Tianda Pharmaceuticals Group will be consolidated into the financial statements of the Group. According to the accountants' report of Tianda Pharmaceuticals Group, Tianda Pharmaceuticals Group recorded the audited turnover of approximately HK$95.43 million and the audited net profit of approximately HK$5.43 million for the year ended 31 December 2011. In view of the potential development of the pharmaceutical business and the future contribution of Tianda Pharmaceuticals Group, we are of the view that the TP Acquisition may bring an advantageous effect to the Group as it may increase the opportunity to further strengthen its foothold into the pharmaceutical industry in the PRC.

Tianda Yunnan Group, Heroway Group, CCP Group and Yunyu Holdings Group will cease to be the subsidiaries of the Group and their financial results will no longer be consolidated into the financial statements of the Group immediately after completion of the Disposals.

According to the "Unaudited pro forma financial information on the Resulting Group" in Appendix III of the Circular, assuming the TP Acquisition and the Disposals had been completed on 30 September 2011, the unaudited consolidated pro forma net profit of the Resulting Group (excluding the minority interests) for the year ended 31 March 2011 would decrease from approximately HK$67.43 million to HK$65.11 million.

2. Net assets value

According to the "Unaudited pro forma financial information of the Resulting Group" in Appendix III to the Circular, assuming the TP Acquisition and the Disposals had been completed on 30 September 2011, the unaudited pro forma net assets of the Resulting Group would decrease from approximately HK$851.25 million to approximately HK$737.37 million whilst the total equity attributable to the shareholders of the Company would increase from approximately HK$682.01 million to approximately HK$688.93 million. The increase in total equity attributable to the Shareholders was mainly attributable by the total expected net gain of approximately HK$6.93 million (subject to audit) from the Disposal.

3. Working capital

Upon completion of the TP Acquisition and the Disposals, on a pro forma basis, the cash and cash equivalents of the Group will be dropped from approximately HK$142.81 million to approximately HK$97.12 million. There will not be any proceeds from the Disposals as the TMY Consideration, the HL Consideration, the CCP Consideration and the YH Consideration will be settled by Tianda Group by offsetting against part of the TP Consideration. As a result of the Disposals, future working capital requirement for Tianda Yunnan Group, Heroway Group and Cheng Cheng Printing Group will be avoided.

According to the "Unaudited pro forma financial information of the Resulting Group" as set out in Appendix III to the Circular, assuming the TP Acquisition and the Disposals had been completed on 30 September 2011, the total assets and total liabilities of the Resulting Group would decrease from approximately HK$1,017.22 million and approximately HK$165.97 million to approximately HK$785.07 million and approximately HK$47.70 million respectively.

Shareholders should note that the aforesaid analyses are for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon the completion of the TP Acquisition and the Disposals.

Shareholders should also note that the TP Acquisition is inter-conditional upon the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal. Bearing in mind that the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal are proposed and structured together as a whole is with an aim of restructuring the Group's core business. We would like to draw the Independent Shareholders attention that he/she/it should not analyse each of the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YH Disposal on a stand-alone basis. Having considered that (i) the Company intends to focus its resources on the development of pharmaceutical and biotechnology business and thereby the TP Acquisition and the Disposals form a comprehensive restructure proposal for the Group, (ii) the offsetting of the TP Consideration by the TMY Consideration, the HL Consideration, the CCP Consideration and the YH Consideration will save cash resources for the future developments of the Group's core pharmaceutical and biotechnology business and (iii) the TP Acquisition and the Disposals being inter-conditional on each other is the most efficient and effective way to implement the restructure plan of the Group since the Group can restructure its business to one focus core activity of pharmaceutical and biotechnology business at one time, we consider that such arrangement is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that each of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement is on normal commercial terms and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the TP Acquisition, the TMY Disposal, the HL Disposal, the CCP Disposal and the YHL Disposal (including the terms and conditions and other major terms of each of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement and their basis of determining the consideration) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole although the TP Acquisition and the Disposals are not in the ordinary and usual course of business of the Company.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Agreements and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for (i) the six months ended 30 September 2011 is disclosed in the interim report of the Company and published on 22 December 2011, from pages 14 to 30; (ii) the year ended 31 March 2011 is disclosed in the annual report of the Company for the year ended 31 March 2011 and published on 28 July 2011 from pages 31 to 104; (iii) for the year ended 31 March 2010 is disclosed in the annual report of the Company for the year ended 31 March 2010 and published on 28 July 2010, from pages 28 to 91; and (iv) the year ended 31 March 2009 is disclosed in the annual report of the Company for the year ended 31 March 2009 and published on 28 July 2009, from page 24 to 82. All of which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.tiandaholdings.com/Report.html).

2. INDEBTEDNESS

At the close of business on 31 March 2012, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the Enlarged Group had no outstanding indebtedness.

Save as disclosed above and apart from intra-group liabilities, at the close of business on 31 March 2012, the Enlarged Group did not have any debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, bank overdrafts, liabilities under acceptances (other than normal trade bills and payables) or acceptance credits, hire purchase or other finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in indebtedness and contingent liabilities of the Enlarged Group since 31 March 2012 and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the Resulting Group's present internal resources and in the absence of unforeseen circumstances, the working capital available to the Resulting Group is, following the completion of the TP Agreement, the TMY Agreement, the HL Agreement, the CCP Agreement and the YH Agreement, sufficient for the Group's requirements for at least 12 months from the date of this circular.

1. ACCOUNTANTS' REPORT ON TIANDA PHARMACEUTICALS GROUP

The following is the text of a report from CCIF CPA Limited, the independent reporting accountants, in respect of the accountants' report on Tianda Pharmaceuticals Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong
香港銅鑼灣希慎道33號
利園34樓

30 May 2012

The Directors
Tianda Holdings Limited

Dear Sirs

Introduction

We set out below our report on the financial information relating to Tianda Pharmaceuticals Limited ("Tianda Pharmaceuticals") and its subsidiaries after the completion of the group reorganisation (the "Reorganisation") as fully explained in note 2 of Section B below (hereinafter collectively referred to as the "Tianda Pharmaceuticals Group") including the combined statements of financial position of the Tianda Pharmaceuticals Group as at 31 December 2009, 2010 and 2011, and the combined statements of comprehensive income, the combined statements of cash flow, the combined statements of changes in equity and the notes thereto of the Tianda Pharmaceuticals Group for the years ended 31 December 2009, 2010 and 2011 (the "Relevant Periods") (hereinafter collectively the "Financial Information") prepared for inclusion in the circular dated 30 May 2012 (the "Circular") issued by Tianda Holdings Limited ("Tianda Holdings") in connection with the proposed acquisition of the equity interests in the Tianda Pharmaceuticals Group.

Tianda Pharmaceuticals was incorporated in the British Virgin Islands (the "BVI") with limited liability on 11 May 2011 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each.

After the completion of the Reorganisation, Tianda Pharmaceuticals will become the holding company of the subsidiaries as set out below:

Name	Form of business structure	Place and date of incorporation	Issue and fully paid share capital/ authorised capital at the date of this report	Principal activities
Tianda Biotech Limited ("Tianda Biotech")	Corporate	Hong Kong 4 October 2006 as a limited liability company	Ordinary HK$1	Investment holding
Tianda Pharmaceuticals Limited ("Tianda Pharmaceuticals (Hong Kong)")	Corporate	Hong Kong 20 September 2000 as a limited liability company	Ordinary HK$1,000,000	Trading of pharmaceutical products and investment holding
Tianda Pharmaceuticals (Hong Kong) Limited ("TPHK")	Corporate	Hong Kong 14 December 2007 as a limited liability company (Disposed on 31 October 2011)	Ordinary HK$1	Dormant
Tianda Pharmaceuticals (Australia) Pty Limited ("Tianda (Australia) Pharmaceuticals")	Corporate	Australia 22 September 1999 as a limited liability company	Ordinary AUD1,000,000	Trading of pharmaceutical products
Tianda Pharmaceuticals (Zhuhai) Limited ("Tianda Pharmaceuticals (Zhuhai)")	Sino-foreign owned enterprise	People's Republic of China 21 December 1995 as a limited liability company for a term of 20 years	Registered capital RMB160,000,000	Research and development, manufacture and sale of pharmaceutical products
Tianda Pharmaceuticals (China) Limited ("Tianda Pharmaceuticals (China)")	Foreign invested limited liability company	People's Republic of China 4 June 2001 as a limited liability company for a term of 20 years	Registered capital HK$50,000,000	Research and development of pharmaceutical products

No audited financial statements have been prepared for Tianda Pharmaceuticals as it is incorporated in the BVI and its financial statements are not subject to any statutory audit requirement.

The financial statements of Tianda Biotech for the years ended 31 December 2009 and 2010 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") for private entities issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Simon Y.P. Chan & Co. Certified Public Accountants. Up to the date of this report, no audited financial statements for the year ended 31 December 2011 have been prepared.

The financial statements of Tianda Pharmaceuticals (HK) for the years ended 31 December 2009 and 2010 were prepared in accordance with HKFRSs for private entities issued by the HKICPA and were audited by Simon Y.P. Chan & Co. Certified Public Accountants. Up to the date of this report, no audited financial statements for the year ended 31 December 2011 have been prepared.

The financial statements of Tianda Pharmaceuticals (Australia) for the years ended 31 December 2009 and 2010 were prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standard Board and the Corporations Act 2001 and were audited by O'Neill & O'Brien Pty Limited. Up to the date of this report, no audited financial statements for the year ended 31 December 2011 have been prepared.

The financial statements of Tianda Pharmaceuticals (Zhuhai) for the years ended 31 December 2009 and 2010 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China ("PRC") and were audited by 珠海市永安達會計師事務所有限公司 (Zhuhai Yonganda CPA Limited#) and 中興財光華會計師事務所有限責任公司廣東分所 (Zhong Xing Cai Guang Hua CPA Limited#) respectively. Up to the date of this report, no audited financial statements for the year ended 31 December 2011 have been prepared.

The financial statements of Tianda Pharmaceuticals (China) for the years ended 31 December 2009 and 2010 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited by 深圳金牛會計師事務所 (Shenzhen Jinniu CPA#). Up to the date of this report, no audited financial statements for the year ended 31 December 2011 have been prepared.

For the purpose of this report, the directors of the Tianda Pharmaceuticals Group have prepared the financial statements of the Tianda Pharmaceuticals Group for the Relevant Periods (the "Underlying Financial Statements of Tianda Pharmaceuticals Group") in accordance with the HKFRSs issued by the HKICPA. We have, for the purpose of this report, audited the Underlying Financial Statements of the Tianda Pharmaceuticals Group in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

For identification purpose only

The preparation of the Underlying Financial Statements of Tianda Pharmaceuticals Group and the Financial Information of Tianda Pharmaceuticals Group which give a true and fair view is the responsibility of the directors of the Tianda Pharmaceuticals Group. The directors of Tianda Holdings are responsible for the contents of the Circular in which this report is included. In preparing the Underlying Financial Statements of the Tianda Pharmaceuticals Group and the Financial Information of the Tianda Pharmaceuticals Group which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Underlying Financial Information of the Tianda Pharmaceuticals Group and to report our opinion to you. We believe that our work provides a reasonable basis for our opinion.

For the purpose of this report, we have examined the Financial Information of the Tianda Pharmaceuticals Group for the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Financial Information of the Tianda Pharmaceuticals Group gives, for the purpose of this report, a true and fair view of the state of affairs of the Tianda Pharmaceuticals Group as at 31 December 2009, 2010 and 2011 and of the loss/profits and cash flows of the Tianda Pharmaceuticals Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Combined Statement of Comprehensive Income

		Year ended 31 December		
		2009	**2010**	**2011**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	3	65,087	76,870	95,434
Cost of sales		(18,023)	(22,265)	(32,928)
Gross profit		47,064	54,605	62,506
Other revenue and other net income	3	737	476	671
Selling expenses		(35,444)	(37,679)	(38,993)
General and administrative expenses		(15,210)	(16,039)	(18,751)
(Loss)/Profit before taxation	5	(2,853)	1,363	5,433
Income tax	7(a)	–	–	–
(Loss)/Profit for the year		(2,853)	1,363	5,433
Other comprehensive income/(loss), net of income tax				
Exchange differences on translation of financial statements of overseas subsidiaries		24,257	5,759	6,439
Change in fair value of available-for-sale financial assets		–	–	(3)
Other comprehensive income for the year, net of income tax		24,257	5,759	6,436
Total comprehensive income for the year		21,404	7,122	11,869

Combined Statement of Financial Position

		As at 31 December		
		2009	**2010**	**2011**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*9*	74,239	76,316	76,038
Intangible asset	*12*	1,198	599	–
Lease premium for land	*10*	28,712	28,855	29,091
Available-for-sale investments	*13*	18	18	15
Goodwill	*11*	21,279	22,080	23,009
		125,446	127,868	128,153
Current assets				
Inventories	*14*	8,732	10,945	13,161
Lease premium for land	*10*	904	938	978
Accounts and bills receivable	*15*	12,591	15,562	14,023
Deposits, prepayments and other receivables	*16*	2,382	1,734	1,233
Amounts due from related companies	*17*	725	944	1,628
Cash and cash equivalents	*18*	31,915	31,211	42,590
		57,249	61,334	73,613
Current liabilities				
Accounts payables	*19*	1,836	6,022	4,177
Accruals and other payables	*20*	13,114	17,447	23,384
Amounts due to related companies	*17*	14,616	2,877	318
Amount due to ultimate holding company	*17*	156,527	159,132	158,294
		186,093	185,478	186,173
Net current liabilities		(128,844)	(124,144)	(112,560)
NET (LIABILITIES)/ASSETS		(3,398)	3,724	15,593
EQUITY				
Equity attributable to owners of Tianda Pharmaceuticals Group				
Paid-in capital	*22*	1,000	1,000	1,000
Reserves	*23*	(4,398)	2,724	14,593
(CAPITAL DEFICIENCY)/ TOTAL EQUITY		(3,398)	3,724	15,593

Combined Statement of Changes in Equity

	Paid-in capital	Fair value reserve	Statutory reserve	Exchange translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	1,000	18	1,441	23,453	(50,714)	(24,802)
Loss for the year	–	–	–	–	(2,853)	(2,853)
Other comprehensive income	–	–	–	24,257	–	24,257
Total comprehensive income	–	–	–	24,257	(2,853)	21,404
At 31 December 2009 and 1 January 2010	1,000	18	1,441	47,710	(53,567)	(3,398)
Profit for the year	–	–	–	–	1,363	1,363
Other comprehensive income	–	–	–	5,759	–	5,759
Total comprehensive income	–	–	–	5,759	1,363	7,122
At 31 December 2010 and 1 January 2011	1,000	18	1,441	53,469	(52,204)	3,724
Profit for the year	–	–	–	–	5,433	5,433
Other comprehensive (loss)/income	–	(3)	–	6,439	–	6,436
Total comprehensive income	–	(3)	–	6,439	5,433	11,869
At 31 December 2011	1,000	15	1,441	59,908	(46,771)	15,593

Combined Statement of Cash Flow

		Year ended 31 December		
		2009	**2010**	**2011**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities				
(Loss)/Profit before taxation	5	(2,853)	1,363	5,433
Adjustment for:				
Depreciation and amortization		4,595	4,380	4,045
Interest income	3	(29)	(96)	(344)
Reversal of impairment loss on accounts receivable	15	(571)	(122)	–
Written off of property, plant and equipment		10	2,332	2,973
Gain on disposal of subsidiary	3	–	–	(3)
		1,152	7,857	12,104
Changes in working capital				
Increase in inventories		(2,125)	(2,213)	(2,216)
(Increase)/decrease in accounts and bills receivable		655	(2,849)	1,539
(Increase)/decrease in deposits, prepayments and other receivables		(1,453)	648	501
Decrease/(increase) in amount due from related companies		25,993	(219)	(684)
Increase/(decrease) in accounts payables		(7,092)	4,186	(1,845)
Increase in accruals and other payables		9,933	4,333	5,937
Increase/(decrease) in amount due to ultimate holding company		(2,530)	2,605	(838)
Decrease in amount due to related companies		(22,906)	(11,739)	(2,559)
Net cash generated from operating activities		1,627	2,609	11,939
Investing activities				
Interest income	3	29	96	344
Purchase of property, plant and equipment	9	(109)	(4,559)	(2,074)
Net cash used in investing activities		(80)	(4,463)	(1,730)

		Year ended 31 December		
		2009	2010	2011
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Net increase/(decrease) in cash and cash equivalents		1,547	(1,854)	10,209
Exchange difference		22,791	1,150	1,170
Cash and cash equivalents at beginning of the year		7,577	31,915	31,211
Cash and cash equivalents at end of the year	*18*	31,915	31,211	42,590

B. NOTES TO THE FINANCIAL INFORMATION

1. REORGANISATION AND PRINCIPAL ACTIVITIES

Tianda Pharmaceuticals Limited and its subsidiaries after the completion of the group reorganisation as set out below (collectively referred as to the "Tianda Pharmaceuticals Group") are principally engaged in research and development, manufacturing and sale of pharmaceutical products.

Tianda Pharmaceuticals was incorporated in the British Virgin Islands with limited liability on 11 May 2011 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

On 30 March 2012, Tianda Group Limited, the immediate holding company of Tianda Pharmaceuticals entered into an agreement with Tianda Holdings Limited to transfer (the "Transfer") to Tianda Holdings Limited the entire issued share capital, being 100 shares of US$1 each, of Tianda Pharmaceuticals to Tianda Holdings Limited. Prior to the completion of the Transfer, there will be a group reorganisation ("Reorganisation") within Tianda Holdings Limited and its subsidiaries.

Upon completion of the Reorganisation, (i) Tianda Pharmaceuticals will directly hold the entire issued share capital of Tianda Pharmaceuticals (HK); (ii) Tianda Pharmaceuticals (HK) will directly hold the entire issued share capital of Tianda Pharmaceuticals (Australia) Pty. Limited; (iii) Tianda Pharmaceuticals (HK) will directly hold 51% of the registered and paid up capital of Tianda Pharmaceuticals (Zhuhai); (iv) Tianda Pharmaceuticals will directly hold the entire issued share capital of Tianda Biotech, (v) Tianda Biotech will directly hold the entire registered and paid up capital of Tianda Pharmaceuticals (China); and (vi) Tianda Pharmaceuticals (China) will directly hold 49% of the registered and paid up capital of Tianda Pharmaceuticals (Zhuhai).

Since Tianda Group Limited and Tianda Holdings Limited are controlled by Mr. Fang Wen Quan before and after the Reorganisation, consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate sole shareholder that existed prior to the Reorganisation. The Financial Information is hereby prepared using the principles of merger accounting as set out in Accounting Guideline 5 "Merger accounting for Common Control Combinations" issued by the HKICPA. As further explained in note 2(c) below, the Financial Information presents the combined results, changes in equity, cash flow statements and financial position of the companies now comprising the Tianda Pharmaceuticals Group as if the Tianda Pharmaceutical Group has been in existence throughout the Relevant Periods.

As at 31 December 2011, the Reorganisation was not yet completed. The share capital as at 31 December 2009, 2010 and 2011 as disclosed in note 22 of Section B below represents the combined capital of all the Companies which will form the Tianda Pharmaceutical Group after the completion of the Reorganisation.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Tianda Pharmaceuticals Group is set out below.

For the purpose of preparing this Financial Information, the Tianda Pharmaceuticals Group have adopted all of the new and revised HKFRSs, except for any new standards or interpretations that are not yet effective for the accounting period ending 31 December 2012. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ending 31 December 2012 are set out in note 2(b).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

b) Basis of preparation

The combined financial statements for the years ended 31 December 2009, 2010 and 2011 comprise Tianda Pharmaceuticals and its subsidiaries after the completion of the Reorganisation (together referred to as the "Tianda Pharmaceuticals Group").

Items included in the financial statements of each entity in the Tianda Pharmaceuticals Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HKD"), rounded to the nearest thousand. Hong Kong dollar is Tianda Pharmaceuticals's functional and presentation currency.

The Financial Information has been prepared under the historical cost convention as modified for the revaluation of certain financial assets and liabilities at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 27.

Application of Hong Kong Financial Reporting Standards

The Tianda Pharmaceuticals Group has applied all of the new or revised HKASs, HKFRSs, amendments and interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the HKICPA that are relevant to its operations and effective for annual reporting periods commencing on or after 1 January 2009.

The Tianda Pharmaceuticals Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective as at that date of this report.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2015
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

The Tianda Pharmaceuticals Group is in the process of making an assessment of what the impact of these new and revised standards, amendments or interpretation is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Tianda Pharmaceuticals Group's results of operations and financial position.

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

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The sole director of Tianda Pharmaceuticals anticipates that HKFRS 9 will be adopted in the Tianda Pharmaceuticals Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have certain impacts on amounts reported in respect of the Tianda Pharmaceuticals Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Tianda Pharmaceuticals Group has not entered into transactions involving transfers of financial assets. However, if the Tianda Pharmaceuticals Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

The sole director of Tianda Pharmaceuticals anticipates that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Tianda Pharmaceuticals Group.

All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

c) Business combinations under common control

Business combinations under common control are accounted for in accordance with the merger accounting. Merger Accounting is applied in accordance with AG5. The merger method of accounting involves incorporating the financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party.

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

The combined statements of comprehensive income include the results of each of the combining entities or business 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 common control combination.

The comparative amounts in the combined financial information are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

d) Subsidiaries

Subsidiaries are entities controlled by the Tianda Pharmaceuticals Group. Control exists when the Tianda Pharmaceuticals Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently exercisable are taken into account. On adoption of HKAS 27 (Revised), when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. (The adoption of this change in HKAS 27 (Revised) should be applied prospectively.)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Tianda Pharmaceuticals Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Tianda Pharmaceuticals Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Tianda Pharmaceuticals Group losses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

Changes in the Tianda Pharmaceuticals Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Tianda Pharmaceuticals Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

e) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets acquired separately and 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

The following intangible asset with finite useful lives is amortised from the date it is available for use and their estimated useful lives are as follows:

– pharmaceutical licence	10 years

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

f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(g)):

When a lease includes both land and building elements, the Tianda Pharmaceuticals 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 the Tianda Pharmaceuticals Group.

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 "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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 or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– buildings situated on leasehold land are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;

– other property, plant and equipment are depreciated on a straight-line method over their estimated useful lives as follows:

Plant and machinery	10 years
Furniture and equipment	5 years
Motor vehicles	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

g) Impairment of assets

i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Tianda Pharmaceuticals Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For accounts receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Tianda Pharmaceuticals Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease premium for land;

– investments in subsidiaries (except and for those classified as held for sale);

– intangible assets;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

h) Provisions and contingent liabilities

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

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

i) Financial assets

The Tianda Pharmaceuticals Group classified its investments in securities in the following categories: available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired.

i) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(j) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss as set out in note 2(j). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent period.

Investments are recognised/derecognised on the date the Tianda Pharmaceuticals Group and/or Tianda Pharmaceuticals commits to purchase/sell the investments or when they expire.

j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Tianda Pharmaceuticals Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Sale of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the merchandise are delivered to customers and title has passed.

ii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Tianda Pharmaceuticals Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iii) Dividend income

Dividend income from unlisted investments is recognised when the owner's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iv) Consultancy fee income

Consultancy fee income is recognized when consultancy service were rendered.

k) Accounts receivable and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(g)).

l) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Tianda Pharmaceuticals Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Hong Kong dollars, which is Tianda Pharmaceuticals's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the years are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Tianda Pharmaceuticals Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Tianda Pharmaceuticals are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Tianda Pharmaceuticals Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Tianda Pharmaceuticals Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

n) Retirement scheme

The Tianda Pharmaceuticals Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "Hong Kong Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Hong Kong Scheme. The Hong Kong Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Tianda Pharmaceuticals Group in an independently administered fund. The Tianda Pharmaceuticals Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.

For the Tianda Pharmaceuticals Group's PRC operations participate in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC is responsible for the retirement benefit obligations payable to the Tianda Pharmaceuticals Group's retired employees. The Tianda Pharmaceuticals Group has no obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to profit or loss as and when incurred.

o) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs such as direct labour costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Tianda Pharmaceuticals Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined statement of cash flows.

q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Tianda Pharmaceuticals Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the BVI Company or the Tianda Pharmaceuticals Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, Tianda Pharmaceuticals or the Tianda Pharmaceuticals Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

r) Operating lease charges

Where the Tianda Pharmaceuticals Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

s) Employee benefits

i) Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, leave passage and the cost to the Tianda Pharmaceuticals Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Tianda Pharmaceuticals Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Termination benefits

Termination benefits are recognised when, and only when, the Tianda Pharmaceuticals Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

t) Related parties

a) A person, or a close member of that person's family, is related to the company if that person:

(i) has control or joint control over the Tianda Pharmaceuticals Group;

(ii) has significant influence over the Tianda Pharmaceuticals Group; or

(iii) is a member of the key management personnel of the Tianda Pharmaceuticals Group or the Tianda Pharmaceuticals Group's parent.

b) An entity is related to the Tianda Pharmaceuticals Group if any of the following conditions applies:

(i) The entity and the Tianda Pharmaceuticals Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Tianda Pharmaceuticals Group or an entity related to the Tianda Pharmaceuticals Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Tianda Pharmaceuticals Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Tianda Pharmaceuticals Group's various lines of business and geographical locations.

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

v) Research and development costs

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Tianda Pharmaceuticals Group intends to produce and market, or use the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Tianda Pharmaceuticals Group, can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Tianda Pharmaceuticals Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(g)). Other development expenditure is recognised as an expense in the period in which it is incurred.

w) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Tianda Pharmaceuticals Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a cash generating unit during the year, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

3. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

The principal activities of the Tianda Pharmaceuticals Group are the research and development manufacture and sale of pharmaceutical products.

The Tianda Pharmaceuticals Group's turnover, other revenue and other net income for the year arose from the following activities:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Sales of pharmaceutical products	64,884	76,265	95,434
Consultancy service fee income	203	605	–
	65,087	76,870	95,434

Turnover represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts during the years. Consultancy service fee income represents the rewards for consultancy services rendered.

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Other revenue			
Bank interest income, being total interest income on financial assets not at fair value through profit or loss	29	96	334
Investment income from available-for-sale investments	137	243	125
	166	339	459

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Other net income			
Reversal of impairment loss on account receivable	571	122	–
Sundry	–	15	209
Gain on disposal of subsidiary	–	–	3
	571	137	212

4. SEGMENT INFORMATION

(a) Segment revenue, results, asset and liabilities

Tianda Pharmaceuticals Group are principally engaged in the, research and development manufacture and sale of pharmaceutical products in Hong Kong, the People's Republic of China ("PRC") and Australia. Tianda Pharmaceuticals Group's most senior executive management regularly review their respective consolidated financial statements to assess the performance and make resources allocation decisions. Accordingly, there is only one operating segment for Tianda Pharmaceuticals Group and no segmental revenue, results, assets and liabilities are presented.

(b) Geographical information

The Tianda Pharmaceuticals Group's operations are carried out in Hong Kong, PRC and Australia.

The Tianda Pharmaceuticals Group's revenue from operations from external customers by location of operations and information about its assets by location of assets are detailed below:

	Revenue from external customers			Segment assets		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Australia	399	109	82	3,128	3,006	3,887
Hong Kong	253	206	213	414	331	480
PRC	64,435	76,555	95,139	179,153	185,865	197,399
Total	65,087	76,870	95,434	182,695	189,202	201,766

(c) Information about major customers

The Tianda Pharmaceuticals Group has a very wide customer base and no single customer contributed more than 10% of the Tianda Pharmaceuticals Group's revenue for each of the years ended 31 December 2009, 2010 and 2011.

5. (LOSS)/PROFIT BEFORE TAXATION

The Tianda Pharmaceuticals Group's (loss)/profit before taxation is arrived at after charging:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold *(note 14(b))*	18,003	22,230	31,588
Staff costs (including director's emoluments – note 6):			
Wages and salaries	15,673	16,667	18,747
Retirement benefits scheme contributions	1,060	1,183	1,869
Auditors' remuneration	126	120	46
Depreciation and amortisation	4,595	4,380	4,045
Operating lease rentals	289	245	260
Research and development costs	496	667	639
Written off of:			
– property, plant and equipment	10	2,332	2,973

6. DIRECTOR'S AND FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION

i) The details of emoluments of sole director is shown below:

	Fees	Salaries, allowances and other benefits	Share-based payments	Pension scheme contribution	Total
Year ended 31 December 2009					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Lui Man Sang *(note)*	–	–	–	–	–
Year ended 31 December 2010					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Lui Man Sang *(note)*	–	–	–	–	–
Year ended 31 December 2011					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Lui Man Sang *(note)*	–	–	–	–	–

Note: Mr. Lui Man Sang was appointed as executive director on 1 November 2011.

No directors waived any emoluments during the year. No incentive payment or compensation for loss of office was paid or payable to any directors for the years ended 31 December 2009, 2010 and 2011.

ii) **Individuals with highest emoluments**

Of the five individuals with the highest emoluments in the Tianda Pharmaceuticals Group, no directors of the Tianda Pharmaceuticals Group whose emoluments are included in the disclosure in note 6(i) above. The emoluments of the five individuals were as follows:

	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	1,040	1,040	1,452

During the years 2009, 2010 and 2011 no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Tianda Pharmaceuticals Group or as compensation for loss of office.

The emoluments of the five individuals other than directors with the highest emoluments are within the following bands:

	2009	2010	2011
Number of individuals			
HK$Nil up to HK$1,000,000	5	5	5

7. INCOME TAX

a) **The taxation in the combined statement of comprehensive income represents:**

The Tianda Pharmaceuticals Group was not subject to Hong Kong Profits Tax, PRC Enterprise Income Tax or Australia Income Tax as the Tianda Pharmaceuticals Group profit set off against unutilized tax losses brought forward for each of the year.

Income tax for each of the years can be reconciled to the (loss)/profit before taxation per the combined statement of comprehensive income:

	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/Profit before taxation	(2,853)	1,363	5,433
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	1,939	1,276	511
Income not subject to taxation	(1,245)	(773)	–
Tax effect of tax losses not recognised	(704)	(514)	(520)
Tax effect of non-deductible expenses	10	11	9
Tax charge	–	–	–

The provision for PRC Enterprise Income Tax is calculated at the standard rate of 25% on the estimated assessable income for each of the year as determined in accordance with the relevant income tax rules and regulations of the PRC.

As foreign investment enterprises in the City of Zhuhai, one of the Tianda Pharmaceuticals Group was entitled to enjoy a lower income tax rate in accordance with the Income tax for Foreign-invested Enterprises and Foreign Enterprises. It is subject to a reduced income tax rate of 18%, 20% and 22% for the year ended 31 December 2009, 2010 and 2011 respectively.

The provision for income tax of the entity in Australia is calculated at the standard rate of 30% on the net assessable income for each of the year as determined in accordance with the rules and regulations from Australia Taxation Office.

b) Taxation in the combined statement of financial position represents:

The Tianda Pharmaceuticals Group were not subject to Hong Kong Profits Tax or PRC Enterprise Income Tax or Australia Income Tax.

Thus, no tax provision was made for the year ended 31 December 2009, 2010 and 2011.

8. DIVIDEND

The sole director does not recommend the payment of a dividend for the years ended 31 December 2009, 2010 and 2011.

9. PROPERTY, PLANT AND EQUIPMENT

Tianda Pharmaceuticals Group

	Leasehold building held for own use carried at cost *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Furniture and equipment *HK$'000*	Total *HK$'000*
Cost					
At 1/1/2009	91,847	52,405	1,583	11,510	157,345
Additions	–	91	–	18	109
Written off	–	–	–	(86)	(86)
Exchange adjustment	470	226	97	546	1,339
At 31/12/2009 and 1/1/2010	92,317	52,722	1,680	11,988	158,707
Additions	–	1,695	2,689	175	4,559
Written off	–	(16,991)	(507)	(2,297)	(19,795)
Exchange adjustment	3,474	1,461	103	586	5,624
At 31/12/2010 and 1/1/2011	95,791	38,887	3,965	10,452	149,095
Additions	–	1,094	–	980	2,074
Written off	–	(23,434)	(401)	(5,711)	(29,546)
Exchange adjustment	4,026	1,029	129	201	5,385
At 31/12/2011	99,817	17,576	3,693	5,922	127,008

	Leasehold building held for own use carried at cost HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Accumulated depreciation					
At 1/1/2009	27,309	43,212	1,247	8,750	80,518
Charge for the year	699	1,891	128	374	3,092
Written off	–	–	–	(76)	(76)
Exchange adjustment	118	187	97	532	934
At 31/12/2009 and 1/1/2010	28,126	45,290	1,472	9,580	84,468
Charge for the year	701	1,644	209	320	2,874
Written off	–	(15,282)	(464)	(1,717)	(17,463)
Exchange adjustment	1,083	1,237	60	520	2,900
At 31/12/2010 and 1/1/2011	29,910	32,889	1,277	8,703	72,779
Charge for the year	736	1,095	354	309	2,494
Written off	–	(21,059)	(361)	(5,153)	(26,573)
Exchange adjustment	1,278	839	28	125	2,270
At 31/12/2011	31,924	13,764	1,298	3,984	50,970
Carrying amount					
At 31/12/2011	67,893	3,812	2,395	1,938	76,038
At 31/12/2010	65,881	5,998	2,688	1,749	76,316
At 31/12/2009	64,191	7,432	208	2,408	74,239

The leasehold building of the Tianda Pharmaceuticals Group is held under medium term lease and situated in PRC.

10. LEASE PREMIUM FOR LAND

	Lease premium
	HK$'000
Deemed cost	
At 1/1/2009	45,018
Exchange adjustment	198
At 31/12/2009 and 1/1/2010	45,216
Exchange adjustment	1,699
At 31/12/2010 and 1/1/2011	46,915
Exchange adjustment	1,976
At 31/12/2011	48,891
Accumulated depreciation	
At 1/1/2009	14,631
Charge for the year	904
Exchange adjustment	65
At 31/12/2009 and 1/1/2010	15,600
Charge for the year	907
Exchange adjustment	615
At 31/12/2010 and 1/1/2011	17,122
Charge for the year	952
Exchange adjustment	748
At 31/12/2011	18,822

	Lease premium
	HK$'000
Carrying amount	
At 31/12/2011	30,069
At 31/12/2010	29,793
At 31/12/2009	29,616

	HK$'000
Analysed for reporting purposes as:	
At 31/12/2011	
Current assets	978
Non-current assets	29,091
	30,069
At 31/12/2010	
Current assets	938
Non-current assets	28,855
	29,793
At 31/12/2009	
Current assets	904
Non-current assets	28,712
	29,616

The lease premium for land of the Tianda Pharmaceuticals Group is held under medium term lease and situated in PRC.

11. GOODWILL

	HK$'000
Cost	
At 1 January 2009	21,279
Exchange realignment	–
At 31 December 2009 and 1 January 2010	21,279
Exchange realignment	801
At 31 December 2010 and 1 January 2011	22,080
Exchange realignment	929
At 31 December 2011	23,009

For the purposes of impairment testing, the goodwill has been allocated to the cash generating unit (the "CGU") representing one PRC subsidiary, of the research and development and sales of pharmaceutical and healthcare products of Tianda Pharmaceuticals (Zhuhai). During the years ended 31 December 2009, 2010 and 2011, management of the Tianda Pharmaceuticals Group determines that there is no impairment of the CGUs containing goodwill.

The recoverable amount of the CGU arising from Tianda Pharmaceuticals (Zhuhai) was determined based on value in use calculations. The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	%	%	%
– Gross margin	66.0	66.0	66.0
– Growth rate	12.1	10.8	10.7
– Discount rate	19.7	20.3	21.7

Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

The sole director believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

Based on the impairment test performed, no impairment loss is recognised for the year 2009, 2010 and 2011.

12. INTANGIBLE ASSET

	HK$'000
Cost	
At 1 January 2009, 31 December 2009, 31 December 2010 and 31 December 2011	4,532
Accumulated amortisation	
At 1 January 2009	2,735
Provided for the year	599
At 31 December 2009 and 1 January 2010	3,334
Provided for the year	599
At 31 December 2010 and 1 January 2011	3,933
Provided for the year	599
At 31 December 2011	4,531
Carrying value	
At 31 December 2011	–
At 31 December 2010	599
At 31 December 2009	1,198

Intangible assets represents the prescription for producing 益安回生口服液 in Tianda Pharmaceuticals (Zhuhai) acquired in 2003.

Amortisation is provided to write off the cost of the licence of 益安回生口服液 using the straight-line method over the estimated life of 10 years.

13. AVAILABLE-FOR-SALE INVESTMENTS

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Listed equity investments in Australia, at fair value	18	18	15

14. INVENTORIES

(a) Inventories in the combined statement of financial position comprise:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	3,169	3,410	5,218
Consumables	322	354	686
Work in progress	807	1,540	3,000
Finished goods	4,434	5,641	4,257
	8,732	10,945	13,161

(b) The analysis of the amount of inventories recognised as an expenses is as follows:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount of inventories sold	18,003	22,230	31,588

15. ACCOUNTS AND BILLS RECEIVABLE

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivable	9,596	12,954	7,605
Bills receivable	3,424	2,727	6,418
	13,020	15,681	14,023
Less: Allowance for doubtful debts	(429)	(119)	–
	12,591	15,562	14,023

All of the accounts and bills receivable are expected to be recovered within one year.

The general credit terms granted by the Tianda Pharmaceuticals Group to its customers range from 60 to 120 days. The Tianda Pharmaceuticals Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Further details on the Tianda Pharmaceuticals Group's credit policy are set out in note 28(a).

An aging analysis of accounts and bills receivable is presented based on invoice date as at the end of the reporting period as follows:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	9,131	9,266	4,838
31–60 days	812	971	2,709
61–120 days	1,660	2,879	3,699
Over 120 days	1,417	2,565	2,777
	13,020	15,681	14,023

The aging analysis of accounts and bills receivable that are not considered to be impaired is as follows:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	12,119	13,789	12,729
Over 4 months, but less than 1 year past due	472	1,773	1,294
	12,591	15,562	14,023

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Tianda Pharmaceuticals Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Tianda Pharmaceuticals Group does not hold any collateral over these balances.

Movement in allowance for doubtful debts

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	1,000	429	119
Reversal of impairment loss	(571)	(122)	–
Uncollectible amounts written off	–	(193)	(121)
Exchange adjustment	–	5	2
Balance at the end of the year	429	119	–

As at 31 December 2009, 2010 and 2011, no accounts and bills receivable were individually determined to be impaired.

The impairment recognised represents the difference between the carrying amount of these accounts receivable and the present value of the expected liquidation proceeds. The Tianda Pharmaceuticals Group does not hold any collateral over these balances.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	459	605	17
Deposits	25	15	33
Other receivables	1,898	1,114	1,183
	2,382	1,734	1,233

Other receivables that are not impaired:

The aging analysis of other debtors that are neither individually nor collectively considered to be impaired are as follows:

	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	2,382	1,734	1,233

Other receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Tianda Pharmaceuticals Group. Based on past experience, the sole director of Tianda Pharmaceuticals is of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Tianda Pharmaceuticals Group does not hold any collateral or other credit enhancements over these balances.

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

17. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/ULTIMATE HOLDING COMPANY

The amounts due from/(to) related companies/ultimate holding company are unsecured, non-interest bearing and have no fixed terms of repayment.

18. CASH AND CASH EQUIVALENTS

	Tianda Pharmaceuticals Group		
	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*
Cash at banks/financial institutions and on hand	31,915	31,211	42,590
Cash and cash equivalents in the combined statement of cash flows and the combined statement of financial position	31,915	31,211	42,590

The sole director considers the carrying amounts of cash and cash equivalents at the end of the reporting period approximate to their fair value.

19. ACCOUNTS PAYABLES

The aging of the Tianda Pharmaceuticals Group's accounts payables is analysed as follows:

	Tianda Pharmaceuticals Group		
	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*
Outstanding balances with ages			
Due within 1 month or on demand	1,836	6,022	4,177
Due after 1 month but within 3 months	–	–	–
	1,836	6,022	4,177

Accounts payables are interest free and are normally settled on 30-day terms. The carrying amounts of accounts payables approximate to their fair values due to their short term maturity and measured at amortised cost.

20. ACCRUALS AND OTHER PAYABLES

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Accrued salaries, wages and benefits	2,294	2,933	4,862
Accrued expenses	617	595	556
Receipt in advance	2,580	5,403	7,247
Other payables	7,623	8,516	10,719
	13,114	17,447	23,384

All of the other payables, receipt in advance and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

The carrying amounts of other payables, receipt in advance and accruals at the end of the reporting period approximate to their fair value.

21. DEFERRED TAXATION

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Tianda Pharmaceuticals Group has not recognised deferred tax assets in respect of the tax losses of HK$242,780,000, HK$210,647,000 and HK$137,805,000 as at 31 December 2009, 2010 and 2011 respectively due to the unpredictability of future profit streams. The unrecognised tax losses, arising from Hong Kong companies, can be carried forward indefinitely. The unrecognised tax losses, arising from PRC companies, can be carried forward for five years.

22. SHARE CAPITAL

For the purpose of the preparation of the combined statements of financial position, the balances of the paid-up capital at 31 December 2009, 2010 and 2011, represent the aggregate amount of the paid-in of the following companies:

	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Tianda Pharmaceuticals *(notes (i) & (ii))*	–	–	–
Tianda Pharmaceuticals Limited	1,000	1,000	1,000
Tianda Biotech Limited *(note (ii))*	–	–	–
Share capital	1,000	1,000	1,000

Notes:

(i) The paid-in share capital of Tianda Pharmaceuticals was accounted for since its date of incorporation on 11 May 2011.

(ii) The share capital of the company is less than HK$1,000.

23. RESERVES

Tianda Pharmaceuticals Group

	Fair value reserve	Statutory reserve	Exchange translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	18	1,441	23,453	(50,714)	(25,802)
Loss for the year	–	–	–	(2,853)	(2,853)
Exchange adjustment	–	–	24,257	–	24,257
At 31 December 2009 and 1 January 2010	18	1,441	47,710	(53,567)	(4,398)
Fair value adjustment for financial assets	–	–	–	–	–
Profit for the year	–	–	–	1,363	1,363
Exchange adjustment	–	–	5,759	–	5,759
At 31 December 2010 and 1 January 2011	18	1,441	53,469	(52,204)	2,724
Fair value adjustment for financial assets	(3)	–	–	–	(3)
Profit for the year	–	–	–	5,433	5,433
Exchange adjustment	–	–	6,439	–	6,439
At 31 December 2011	15	1,441	59,908	(46,771)	14,593

Nature and purpose of reserves

i) Exchange translation reserve

The exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(m).

ii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(i).

iii) Statutory reserve

The statutory reserve represents the appropriation of certain percentages of profit after taxation of the subsidiaries established in the PRC as recommended by the directors of those subsidiaries based on the PRC statutory financial statements.

24. RETIREMENT BENEFITS SCHEME

The Tianda Pharmaceuticals Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The employees of the Tianda Pharmaceuticals Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Tianda Pharmaceuticals Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Tianda Pharmaceuticals Group with respect to the retirement benefit scheme is to make the specified contributions.

25. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Tianda Pharmaceuticals Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Tianda Pharmaceuticals Group		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	10	52
In the second to fifth years, inclusive	–	–	–
After the fifth year	–	–	–
	–	10	52

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Tianda Pharmaceuticals Group had the following transactions with its related parties during the years:

	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from a fellow subsidiary			
Tianda Group (Australia) Pty Ltd			
Expenses paid on behalf of	(195)	(317)	(3,106)
Fund transfer from	(30)	–	–
Fund transfer to	–	428	3,801
Exchange adjustments	–	108	(11)
Outstanding balance	725	944	1,628
Maximum balance	725	944	1,628

	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*
Amount due to fellow subsidiaries			
i) 天大實業(中國)有限公司			
Fund advance to	20,591	12,006	24,084
Fund advance from	–	–	(21,085)
Exchange adjustments	(203)	(124)	(636)
Outstanding balance	(14,245)	(2,363)	–
ii) Zhuhai S.E.Z. Cheng Cheng Printing Company Ltd			
Repaid to	–	–	2,020
Purchases from	(368)	(126)	(1,809)
Exchange adjustments	–	(19)	(16)
Outstanding balance	(368)	(513)	(318)
iii) Tianda Resources (Australia) Pty Ltd			
Expenses paid on behalf of	(3)	–	1
Fund transfer to	–	2	–
Exchange adjustments	–	–	–
Outstanding balance	(3)	(1)	–
Amount due to ultimate holding company			
Tianda Group Limited			
Expenses paid on behalf of	3,845	1,394	–
Fund transfer from	(3,492)	(3,568)	(4,852)
Fund transfer to	2,177	–	6,024
Exchange adjustments	–	(431)	(334)
Outstanding balance	(156,527)	(159,132)	(158,294)

27. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

In the process of applying the Tianda Pharmaceuticals Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) Impairment of property, plant and equipment and land lease premium

The recoverable amount of an asset is the higher of its net selling price 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Tianda Pharmaceuticals Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

ii) Impairment of receivables

The Tianda Pharmaceuticals Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the accounts receivables and other receivables, where applicable, at each end of the reporting period. The estimates are based on the aging of the accounts receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

iii) Estimated useful lives of property, plant and equipment

The Tianda Pharmaceuticals Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method of 5 to 10 years. The estimated useful lives that the Tianda Pharmaceuticals Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Tianda Pharmaceuticals Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation and impairment losses in future years.

As at 31 December 2009, 2010 and 2011, the carrying amount of property, plant and equipment is HK$74,239,000, HK$76,316,000 and HK$76,038,000 respectively. Details of the useful lives of the property, plant and equipment are disclosed in note 9.

iv) Estimated fair value of available-for-sale financial assets

The fair value of financial instruments in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Tianda Pharmaceuticals Group is the closing bid price at the end of the reporting period.

The fair value of financial instruments that are not traded in active market is determined based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each end of the reporting period.

v) Write down of inventories

The management of the Tianda Pharmaceuticals Group reviews its inventories at each end of the reporting period and write down inventories to net realisable value. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Tianda Pharmaceuticals Group carries out an inventory review on a product-by-product basis at each statement of financial position date and make allowance for obsolete items.

vi) Income taxes

As at 31 December 2009, 2010 and 2011, no deferred tax asset in relation to unused tax losses HK$242,780,000, HK$210,647,000 and HK$137,805,000 respectively has been recognised in the Tianda Pharmaceuticals Group's combined statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

b) Critical accounting judgements in applying the Tianda Pharmaceuticals Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Tianda Pharmaceuticals Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Tianda Pharmaceuticals Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Tianda Pharmaceuticals Group's accounting policies.

Certain available-for-sale financial assets are stated at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry and sector performance and financial information regarding the investee are taken into account.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Tianda Pharmaceuticals Group's major financial instruments include available-for-sale investments, accounts receivable, other receivables, amounts due from related companies, cash and equivalents, accounts payables, other payables and amounts due related companies. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

i) As at 31 December 2009, 2010 and 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statement of financial position after deducting any impairment allowance.

ii) In respect of amounts receivables, other receivables and short term loans receivables, the Tianda Pharmaceuticals Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Tianda Pharmaceuticals Group had no significant concentrations of credit risk which individual balance exceeds 10% of the total amounts receivable, other receivables and short term loans receivables at the end of the reporting period.

iii) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks located in the PRC.

Further quantitative disclosures in respect of the Tianda Pharmaceuticals Group's exposure to credit risk arising from accounts and other receivables are set out in notes 15 and 16.

b) Liquidity risk

The Tianda Pharmaceuticals Group is responsible for its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Tianda Pharmaceuticals Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Tianda Pharmaceuticals Group relies on funds advanced from ultimate holding company as a significant source of liquidity.

The following liquidity table set out the remaining contractual maturities at the end of the reporting period of the Tianda Pharmaceuticals Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date Tianda Pharmaceuticals Group required to pay:

Tianda Pharmaceuticals Group

	2009 Within 1 year or on demand *HK$'000*	2009 More than 1 year but less than 2 years *HK$'000*	2009 More than 2 years but less than 5 years *HK$'000*	2009 Total contractual undiscounted cash flow *HK$'000*	2009 Carrying amount *HK$'000*
Non-derivative financial liability					
Accounts payables	1,836	–	–	1,836	1,836
Accruals and other payables	13,114	–	–	13,114	13,114
Amounts due to related companies	14,616	–	–	14,616	14,616
Amount due to ultimate holding company	156,527	–	–	156,527	156,527
Total	186,093	–	–	186,093	186,093

	2010 Within 1 year or on demand *HK$'000*	2010 More than 1 year but less than 2 years *HK$'000*	2010 More than 2 years but less than 5 years *HK$'000*	2010 Total contractual undiscounted cash flow *HK$'000*	2010 Carrying amount *HK$'000*
Non-derivative financial liability					
Accounts payables	6,022	–	–	6,022	6,022
Accruals and other payables	17,447	–	–	17,447	17,447
Amounts due to related companies	2,877	–	–	2,877	2,877
Amount due to ultimate holding company	159,132	–	–	159,132	159,132
Total	185,478	–	–	185,478	185,478

	2011 Within 1 year or on demand *HK$'000*	2011 More than 1 year but less than 2 years *HK$'000*	2011 More than 2 years but less than 5 years *HK$'000*	2011 Total contractual undiscounted cash flow *HK$'000*	2011 Carrying amount *HK$'000*
Non-derivative financial liability					
Accounts payables	4,177	–	–	4,177	4,177
Accruals and other payables	23,384	–	–	23,384	23,384
Amounts due to related companies	318	–	–	318	318
Amount due to ultimate holding company	158,294	–	–	158,294	158,294
Total	186,173	–	–	186,173	186,173

c) **Currency risk**

i) *Exposure to currency risk*

The following table details the Tianda Pharmaceuticals Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The currency giving rise to this risk is primarily Renminbi and Australian Dollar. The Tianda Pharmaceuticals Group do not expose to material currency at the end of the reporting period.

Tianda Pharmaceuticals Group

	Exposure to foreign currencies (expressed in Hong Kong dollars) Tianda Pharmaceuticals Group					
	2009		**2010**		**2011**	
	RMB' 000	*AUD'000*	*RMB'000*	*AUD'000*	*RMB'000*	*AUD'000*
Amounts due from related companies	–	33,274	–	38,873	–	42,263
Cash and cash equivalents	5	–	–	–	–	–
Amounts due to related companies	(54)	–	(55)	–	(43)	–
Overall exposure arising from recognised assets and liabilities	(49)	33,274	(55)	38,873	(43)	42,263

ii) *Sensitivity analysis*

The following table indicates the approximate change in the Tianda Pharmaceuticals Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rate to which the Tianda Pharmaceuticals Group has significant exposure at the end of the reporting period.

	2009		**2010**		**2011**	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after tax and retained profits**	**Increase/ (decrease) in foreign exchange rate**	**Effect on profit after tax and retained profits**	**Increase/ (decrease) in foreign exchange rate**	**Effect on profit after tax and retained profits**
		HK$'000		*HK$'000*		*HK$'000*
RMB	5%	3	5%	3	5%	2
	(5%)	(3)	(5%)	(3)	(5%)	(2)
Australian dollars	5%	1,651	5%	1,941	5%	2,112
	(5%)	(1,651)	(5%)	(1,941)	(5%)	(2,112)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Tianda Pharmaceuticals Group's exposure to currency risk for both derivative and non derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Tianda Pharmaceuticals Group's entities loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2010 and 2011.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Tianda Pharmaceuticals Group) or must be arranged through the PBOC with government approval.

All the revenue-generating subsidiaries of the Tianda Pharmaceuticals Group are transacted in RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Tianda Pharmaceuticals Group's results. The Tianda Pharmaceuticals Group did not hedge its currency exposure.

d) Fair values

i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of each of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market date

	2009				2010				2011			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$"000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	18	–	–	18	18	–	–	18	15	–	–	15

During the year there were no significant transfers between instruments in Level 1 to Level 2 or Level 3.

ii) Fair value of financial instruments carried at other then fair value

The carrying amounts of the Tianda Pharmaceuticals Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009, 2010 and 2011.

e) Capital management

The Tianda Pharmaceuticals Group manages its capital to ensure that entities within the Tianda Pharmaceuticals Group will be able to continue as a going concern in order to support its business and maximum shareholders value. The Tianda Pharmaceuticals Group's overall strategy remains unchanged throughout the relevant years.

The capital structure of the Tianda Pharmaceuticals Group consists of equity attributable to owners of Tianda Pharmaceuticals, comprising share capital, accumulated profits and other reserves.

The sole director of Tianda Pharmaceuticals reviews the capital structure on a regular basis to maintain a strong capital base to support the development of the Tianda Pharmaceuticals Group's business. The sole director of the Tianda Pharmaceuticals also balance its overall structure through payment of dividends, new share issues as well as the issue of new debts.

f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

Listed securities

Fair value is based on listed market price at the end of the reporting period without any deduction for transaction costs.

29. ULTIMATE CONTROLLING PARTY

The sole director regards Mr. Fang Wen Quan through his direct shareholding in the Tianda Group as being the ultimate controlling party. The parent of Tianda Pharmaceuticals is Tianda Group Limited.

Yours faithfully
CCIF CPA Limited
Certified Public Accountants
Hong Kong
Kwok Cheuk Yuen
Practising Certificate Number P02412

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE RESULTING GROUP

1. Introduction

The following is the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows of the Resulting Group (collectively the "Unaudited Pro Forma Financial Information") which have been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the TP Acquisition, CCP Disposal, HL Disposal, TMY Disposal and YH Disposal on the financial position of the Group as at 30 September 2011 and the results and cash flows of the Group for the year ended 31 March 2011.

The accompanying Unaudited Pro Forma Financial Information of the Resulting Group is based on certain assumptions, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the actual financial position, results and cashflows of the Resulting Group following the TP Completion, CCP Completion, HL Completion, TMY Completion and YH Completion. Further, the accompanying Unaudited Pro Forma Financial Information of the Resulting Group does not purport to predict the Resulting Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information of the Resulting Group has been prepared to illustrate the effect of (i) TP Acquisition (the "Acquisition") and (ii) CCP Disposal, HL Disposal, TMY Disposal and YH Disposal (the "Disposal").

The Unaudited Pro Forma Financial Information of the Resulting Group should be read in conjuction with the financial information of the Group as set out in Appendix I to the Circular, the accountants' report on Tianda Pharmaceuticals Group as set out in Appendix II to the Circular and other financial information included elsewhere in this Circular.

The Unaudited Pro Forma Financial Information of the Resulting Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Acquisition and the Disposal as if they had taken place on 30 September 2011.

The Unaudited Pro Forma Consolidated Statememt of Financial Position of the Resulting Group is prepared based upon (i) the unaudited consolidated statement of financial position of the Group as at 30 September 2011, which has been extracted from the interim report of the Group for the six months ended 30 September 2011 as set out in Appendix I to the Circular; (ii) the consolidated statement of financial position of Tianda Pharmaceuticals Group as at 31 December 2011, which has been extracted from the accountants' report on Tianda Pharmaceuticals Group for the year ended 31 December 2011 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition and the Disposal as if the Acquisition and Disposal, had been completed on 30 September 2011.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows of the Resulting Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2011 extracted from the published annual report of the Group as of 31 March 2011 as set out in Appendix I to this Circular and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of Tianda Pharmaceuticals Group for the year ended 31 December 2011, as extracted from the accountants' report as set out in Appendix II to this Circular as if the Acquisition and Disposal had been completed on 31 March 2011. The financial information of the Group and the Tianda Pharmaceuticals Group presented in the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows of the Resulting Group covers the year ended 31 March 2011 and 31 December 2011 of the Group and the Tianda Pharmaceuticals Group respectively to account for a complete financial year.

The Unaudited Pro Forma Financial Information of the Resulting Group is prepared by the Directors of the Company for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Resulting Group following completion of the Acquisition and Disposal.

2. Unaudited Pro Forma Consolidated Statement of Financial Position of the Resulting Group

	The Group as at 30 September 2011 *HK$'000*	Tianda Pharmaceuticals Group at 31 December 2011 *HK$'000*	Pro forma adjustments for Acquisitions & Disposals *HK$'000*	*Notes*	Resulting Group *HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	89,319	76,038	(67,401)	*(e)*	97,956
Prepaid lease payments	11,277	29,091	(7,338)	*(e)*	33,030
Goodwill	50,685	23,009	206,113	*(a)*	235,651
			(44,156)	*(e)*	
Intangible assets	81,247	–	(81,247)	*(e)*	–
Exploration and evaluation assets	5,357	–	(5,357)	*(e)*	–
Interest in an associate	16,784	–	(16,476)	*(e)*	308
Deposit for the acquisition of property, plant and equipment	7,183	–	(7,183)	*(e)*	–
Available-for-sale investments	–	15	–		15
Available-for-sale investments – Investment in an investee company	32,465	–	(32,465)	*(e)*	–
	294,317	128,153			366,960

	The Group as at 30 September 2011 HK$'000	Tianda Pharmaceuticals Group at 31 December 2011 HK$'000	Pro forma adjustments for Acquisitions & Disposals HK$'000	Notes	Resulting Group HK$'000
CURRENT ASSETS					
Inventories	107,425	13,161	(101,678)	(e)	18,908
Trade and other receivables	26,938	15,256	(23,072)	(e)	19,122
Prepaid lease payments	161	978	(64)	(e)	1,075
Amount due from related companies	16,020	1,628	(16,020)	(e)	1,628
Bank deposits	394,126	–	(128,352)	(e)	265,774
Bank balances and cash	178,236	42,590	(31,424)	(e)	111,602
			(77,800)	(b)	
	722,906	73,613			418,109
CURRENT LIABILITIES					
Trade and other payables	90,497	27,561	(84,881)	(e)	35,977
			2,800	(b)	
Government grants – current portion	363	–	–		363
Amounts due to related companies	5,010	318	(5,010)	(e)	318
Loans from ultimate holding company	6,182	158,294	(6,182)	(e)	–
			(158,294)	(a)	
Dividend payable to non-taxable shareholders	27,147	–	(27,147)	(e)	–
Tax payable	6,092	–	(2,072)	(e)	4,020
	135,291	186,173			40,678
NET CURRENT ASSETS/ (LIABILITIES)	587,615	(112,560)			377,431
TOTAL ASSETS LESS CURRENT LIABILITIES	881,932	15,593			744,391
NON-CURRENT LIABILITIES					
Government grants – non-current portion	1,450	–	–		1,450
Deferred tax liabilities	29,231	–	(23,657)	(e)	5,574
	30,681	–			7,024
	851,251	15,593			737,367

	The Group as at 30 September 2011	Tianda Pharmaceuticals Group at 31 December 2011	Pro forma adjustments for Acquisitions & Disposals	*Notes*	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
CAPITAL AND RESERVES					
Share capital	187,012	1,000	(1,000)	*(a), (c)*	187,012
Reserves	494,993	14,593	(14,593)	*(a), (c)*	501,922
			6,929	*(b)*	
Equity attributable to owners of the Company	682,005	15,593			688,934
Non-controlling interests	169,246	–	(120,813)	*(e)*	48,433
Total equity	851,251	15,593			737,367

3. Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Resulting Group

	The Group Year ended 31 March 2011	Tianda Pharmaceuticals Group Year ended 31 December 2011	Pro forma adjustments for Acquisitions & Disposals	*Notes*	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Revenue	206,346	95,434	(102,686)	*(e)*	199,094
Cost of sales	(85,906)	(32,928)	64,779	*(e)*	(54,055)
Gross profit	120,440	62,506	(37,907)		145,039
Other income and gains	9,766	671	(5,677)	*(e)*	4,760
Distribution and selling expenses	(8,421)	(38,993)	7,267	*(e)*	(40,147)
Administrative expenses	(36,260)	(18,751)	12,591	*(e)*	(45,220)
			(2,800)	*(b)*	
Gain on disposal of subsidiaries	4,501	–	9,729	*(b)*	14,230
Gain on disposal of an associate	15,748	–	–		15,748
Gain arising from change in fair value of an investment property	12,400	–	–		12,400
Share of results of an associate	1,981	–	(1,981)	*(e)*	–
Profit before tax	120,155	5,433			106,810
Income tax expense	(18,718)	–	4,061	*(e)*	(14,657)
Profit for the period	101,437	5,433			92,153
Other comprehensive income					
Change of fair value of available-for-sale financial assets	–	(3)	–		(3)
Exchange difference arising on translation	21,593	6,439	(5,430)	*(f)*	22,602
Reclassification upon disposal of subsidiaries	(4,501)	–	–		(4,501)
Reclassification upon disposal of an associate	(8,362)	–	–		(8,362)
Other comprehensive income for the period	8,730	6,436			9,736
Total comprehensive income for the period	110,167	11,869			101,889

	The Group Year ended 31 March 2011 HK$'000	Tianda Pharmaceuticals Group Year ended 31 December 2011 HK$'000	Pro forma adjustments for Acquisitions & Disposals HK$'000	Notes	Resulting Group HK$'000
Profit for the period attributable to:					
Owners of the Company	67,427	5,433			65,107
Non-controlling interests	34,010	–			27,046
	101,437	5,433			92,153
Total comprehensive income for the period attributable to:					
Owners of the Company	71,080	11,869			71,628
Non-controlling interests	39,087	–			30,261
	110,167	11,869			101,889

4. Unaudited Pro Forma Condensed Consolidated Statement of Cash Flows of the Resulting Group

	The Group Year ended 31 March 2011	Tianda Pharmaceuticals Group Year ended 31 December 2011	Pro forma adjustments for Acquisitions & Disposals	Notes	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Net cash generated from operating activities	51,037	11,939	(21,646)	*(e)*	41,330
Investing activities					
Interest income	2,882	344	–		3,226
Purchase of property, plant and equipment	(4,995)	(2,074)	–		(7,069)
Net increase in bank deposits	(228,772)	–	–		(228,772)
Purchase of available-for-sale investments – debt instruments	(79,010)	–	–		(79,010)
Cash outflow from disposal of subsidiaries	(31,102)	–	–		(31,102)
Advance to a related company	(25,039)	–	–		(25,039)
Net cash outflow from acquisition of subsidiaries	(8,648)	–	–		(8,648)
Expenditure paid for exploration and evaluation asset	(751)	–	–		(751)
Advance payment for property, plant and equipment	(726)	–	–		(726)
Proceeds from redemption of available-for-sale investments – debt instruments	77,872	–	–		77,872
Proceeds from disposal of an associate	44,333	–	–		44,333
Proceeds from disposal of an investment property	37,000	–	–		37,000
Dividend received from an available-for-sale investments – investment in an investee company	4,440	–	–		4,440
Investment income received	957	–	–		957
Net cash used in investing activities	(211,559)	(1,730)			(213,289)

	The Group Year ended 31 March 2011 HK$'000	Tianda Pharmaceuticals Group Year ended 31 December 2011 HK$'000	Pro forma adjustments for Acquisitions & Disposals HK$'000	*Notes*	Resulting Group HK$'000
Financing activities					
Proceeds from issue of shares, net of share issue expenses	195,067	–	–		195,067
Increase in loans from ultimate holding company	2,234	–	–		2,234
In proportion capital contribution from a non-controlling shareholder of a subsidiary	1,385	–	–		1,385
Dividend paid to shareholders	(4,208)	–	–		(4,208)
Cash paid for shortfall of Acquisition	–	–	(77,800)	*(b)*	(77,800)
Net cash outflow on disposal of disposal Groups	–	–	(31,424)	*(d), (e)*	(31,424)
Net cash inflow on acquisition of Tianda Pharmaceuticals Group	–	–	42,590	*(d)*	42,590
Net cash generated from financing activities	194,478	–			127,844
Net increase/(decrease) in cash and cash equivalents	33,956	10,209			(44,115)
Exchange difference	6,059	1,170			7,229
Cash and cash equivalents at beginning of the year	102,793	31,211			134,004
Cash and cash equivalents at end of the year	142,808	42,590			97,118

5. Notes to unaudited pro forma financial information of the Resulting Group

Pursuant to the sale and purchase agreement, Tianda Group agreed to transfer its entire interest in the Tianda Pharmaceuticals Group and the Sale Loan to the Company at the consideration of HK$380,000,000, and the Company agreed to transfer its sale shares and sale loans debt in TMY, HL, CCP and YH to Tianda Group at the Disposal Consideration; while the shortfall of HK$77,800,000 between the Acquisition Consideration and the Disposal Consideration will be settled by the Company in cash.

The pro forma adjustments reflect the following:

a) Being adjustment for recognition of goodwill of approximately HK$206,113,000 arising on the Acquisition. Under Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Group will apply the purchase method to account for the acquisition of Tianda Pharmaceuticals Group in the consolidation financial statements of the Group. Goodwill of approximately HK$206,113,000 was determined assuming that the fair values of identifiable assets and liabilities of Tianda Pharmaceuticals Group amount to HK$15,593,000. The goodwill is stated at cost less accumulated impairment loss.

On completion, the fair value of the net identifiable assets and liabilities of Tianda Pharmaceuticals Group will have to be reassessed. As a result of the reassessment, the amount of goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of the Unaudited Pro Forma Financial Information.

For the purpose of the unaudited pro forma statement of financial position of the Resulting Group, the Directors of the Company assumed the fair values of the assets and liabilities of Tianda Pharmaceuticals Group and TP Sale Loan as at 31 December 2011 to be their respective carrying values.

	Fair value
	HK$'000
Net assets of Tianda Pharmaceuticals Group as at 31 December 2011 as per accountants' report on Tianda Pharmaceuticals Group as set out in Appendix II to the Circular	15,593

The goodwill arising from the Acquisition is calculated as follows:

	Fair value
	HK$'000
Consideration	380,000
Net assets of Tianda Pharmaceuticals Group acquired	(15,593)
TP Sale Loan	(158,294)
Goodwill	206,113

b) Pursuant to the sale and purchase agreement, Tianda Group agreed to transfer its entire interest in the Tianda Pharmaceuticals Group to the Company at the consideration of HK$380,000,000 ("Acquisition Consideration") and the Company agreed to transfer its sale shares and sale loans in TMY, HL, CCP and YH to Tianda Group at the consideration of HK$302,200,000 ("Disposal Consideration"); while the shortfall of HK$77,800,000 between the Acquisition Consideration and the Disposal Consideration will be settled by the Company in cash at the Completion date. The Disposal Groups has aggregate cash and cash balances of approximately HK$31,424,000.

It is currently expected that the Company will record approximate gain in aggregate of approximately HK$6,929,000 (subject to audit) being the difference between the Disposal Consideration of respective Disposal Groups less estimated expenses of approximately HK$2,800,000 and Disposal Groups' contribution to the assets and liabilities of the Group as at the Completion Date (before deduction of its shareholder's loan). The gain or loss arising from each disposal group is summarized as follows:

	TMY Disposal	HL Disposal	CCP Disposal	YH Disposal	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Consideration	10,800	3,400	233,000	55,000	302,200
Derecognition of assets and liabilities contributed by the Disposal Group *(note e)*	12,299	4,297	347,718	48,970	413,284
Adjustment for non-controlling interests *(note e)*	(1,933)	(807)	(118,073)	–	(120,813)
	10,366	3,490	229,645	48,970	292,471
Gain/(Loss) on disposal	434	(90)	3,355	6,030	9,729
Estimated expenses *(note ii)*					(2,800)
Net gain *(note iii)*					6,929

Notes:

(i) For the purpose of the preparation of the unaudited pro forma statement of position of the Resulting Group, the Directors of the Company assumed the fair values of the assets and liabilities of Disposal Group as at 30 September 2011 approximate to their respective carrying values.

(ii) The estimated expenses of HK$2,800,000 are the professional fees and expenses incurred for the major and connected transactions as set out in this circular.

(iii) On the Completion date, the fair values of the net identifiable assets and liabilities contributed by the Disposal Group will have to be reassessed. As a result of the reassessment, the amount of net gain may be different from the estimated amount as stated above for the purpose of preparation of the Unaudited Pro Forma Financial Information.

c) The adjustments represent elimination of share capital and pre-acquisition reserves of Tianda Pharmaceuticals Group.

d) For the purpose of unaudited pro forma condensed consolidated statement of cash flows, pro forma adjustments for cash inflow and outflow for the Acquisition and Disposal if Acquisition and Disposal had been completed on 31 December 2011 and 31 March 2011 respectively:

	HK$'000
Cash and cash balances acquired from Tianda Pharmaceuticals Group	42,590
Cash and cash balances disposed from Disposal Groups	(31,424)
	11,116

e) The following are the fair value and carrying values of assets and liabilities, income and expenses, and cash flows of the Group contributed by Disposal Groups to be adjusted to reflect the exclusion of such items upon disposal of the Disposal Groups.

For the adjustments on the assets and liabilities items, it is assumed that the Disposal took place on 30 September 2011. The assets and liabilities of TMY Group, HL Group, CCP Group and YH Group are extracted from the working schedules prepared by the management for the interim financial statements of the Group for the period ended 30 September 2011 which were reviewed by the auditors of the Group.

For the adjustments on the income and expenses and cash flows of the Group, it is assumed that the Disposal took place on 31 March 2011. The income and expenses and cash flows of TMY Group, HL Group, CCP Group and YH Group are extracted from the working schedules prepared by the management for the audited financial statements of the Group for the year ended 31 March 2011 which were audited by the auditors of the Group.

As at 30 September 2011

	Tianda Yunnan Group	Heroway Group	Cheng Cheng Printing Group	Yunyu Holdings Group	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non current assets					
Property, plant and equipment	1,243	516	65,642	–	67,401
Prepaid lease payments	–	–	7,338	–	7,338
Exploration and evaluation assets	5,357	–	–	–	5,357
Goodwill	–	–	44,156	–	44,156
Intangible assets	–	–	81,247	–	81,247
Interest in an associate	–	–	–	16,476	16,476
Deposits for acquisition of property plant and equipment	–	–	7,183	–	7,183
Available-for-sale investments – investment in an investee company	–	–	–	32,465	32,465
	6,600	516	205,566	48,941	261,623
Current assets					
Inventories	–	–	101,678	–	101,678
Trade and other receivables	287	80	22,702	3	23,072
Prepaid lease payments	–	–	64	–	64
Amounts due from related companies	–	–	16,020	–	16,020
Bank deposits	–	–	128,352	–	128,352
Bank balances and cash	8,142	7,228	16,028	26	31,424
	8,429	7,308	284,844	29	300,610
Current liabilities					
Trade and other payables	50	25	84,806	–	84,881
Amounts due to related companies	–	–	5,010	–	5,010
Loans from ultimate holding companies	2,680	3,502	–	–	6,182
Dividend payable to non-controlling shareholders	–	–	27,147	–	27,147
Tax payable	–	–	2,072	–	2,072
	2,730	3,527	119,035	–	125,292

	Tianda Yunnan Group HK$'000	Heroway Group HK$'000	Cheng Cheng Printing Group HK$'000	Yunyu Holdings Group HK$'000	Total HK$'000
Non current liabilities					
Deferred tax liabilities	–	–	23,657	–	23,657
Net assets before shareholder's debt/(loan)	12,299	4,297	347,718	48,970	413,284
Shareholder's debt/(loan)	948	(4,607)	(100,813)	(25,036)	(129,508)
Net assets/(liabilities)	13,247	(310)	246,905	23,934	283,776
Equity attributable to:					
Owners of the Company	11,314	(1,117)	128,832	23,934	162,963
Non-controlling interests	1,933	807	118,073	–	120,813
Total equity	13,247	(310)	246,905	23,934	283,776

Year ended 31 March 2011

	Tianda Yunnan Group HK$'000	Heroway Group HK$'000	Cheng Cheng Printing Group HK$'000	Yunyu Holdings Group HK$'000	Total HK$'000
Revenue	–	–	97,056	5,630	102,686
Cost of sales	–	–	(64,779)	–	(64,779)
Gross profit	–	–	32,277	5,630	37,907
Other income and gains	158	99	5,388	32	5,677
Distribution and selling expenses	–	–	(7,267)	–	(7,267)
Administrative expenses	(2,281)	(909)	(9,332)	(69)	(12,591)
Share of results of an associate	–	–	–	1,981	1,981
Contribution to the consolidated profit (loss) before tax	(2,123)	(810)	21,066	7,574	25,707
Income tax expense	–	–	(3,404)	(657)	(4,061)
Profit (Loss) for the period deconsolidated in respect of the Disposal Groups	(2,123)	(810)	17,662	6,917	21,646

Year ended 31 March 2011

	Tianda Yunnan Group	Heroway Group	Cheng Cheng Printing Group	Yunyu Holdings Group	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash (used in) generated from operating activities	(2,123)	(810)	17,662	6,917	21,646
Net increase (decrease) in cash and cash equivalents	(2,123)	(810)	17,662	6,917	21,646
Cash and cash equivalents at beginning of the period	11,779	8,530	669	1,459	22,437
Cash and cash equivalents at end of the period, represented by bank balances and cash	9,656	7,720	18,331	8,376	44,083

f) The adjustments represent elimination of exchange difference arising from translation of statement of financial position items of foreign operations of Disposal Groups in Hong Kong dollars.

g) For the purpose of unaudited pro forma financial information, the Directors have reviewed the carrying value of goodwill of the Resulting Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36"), based on the cash flow projections determined by financial budgets and forecasts approved by the management. The discount rate used in calculating the recoverable amounts of the cash generating units ("CGUs") of which the goodwill is being allocated is by reference to the report of Vigers Appraisal & Consulting Limited, which is an independent professional valuer. Based on the assessment on the recoverable amounts of the CGUs, the Directors are of the opinion that there are no indications that there may be an impairment on the value of the goodwill of the Resulting Group with an assumed aggregate fair value of approximately HK$235,651,000 after the pro forma adjustments, as shown in the Unaudited Pro Forma Consolidated Statement of Financial Position of the Resulting Group as at 30 September 2011.

In accordance with HKAS 36, the Directors will carry out impairment review of the goodwill of the Resulting Group with reference to an independent valuation report, which will be prepared under similar principal assumptions and valuation in the future financial statements. After the completion of the transactions, the Company will perform annual impairment test in accordance with the Company's accounting policies and the requirements of HKAS 36. The Company will adopt consistent principle assumptions to assess any indication on the impairment of the Resulting Group's intangible assets and the goodwill during the future annual audit.

It is the responsibility solely of the Directors to ensure that the Company is adopting and will continue to adopt consistent accounting policies and ensure that the principal assumptions apply for assessment of the impairment of the Resulting Group's goodwill for future annual audit of the Group are consistent.

The reporting accountants concurred with the Directors' assessment of impairment in the goodwill in the Unaudited Pro Forma Financial Information and adoption of consistent accounting policies and principal assumptions in the preparation of consolidated financial statements of the Group after the completion of the Acquisitions and Disposals.

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

The following is the text of a report from CCIF CPA Limited, the independent reporting accountants, in respect of Unaudited Pro Forma Financial Information of the Resulting Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

Accountants' report on the Unaudited Pro Forma Financial Information on the Resulting Group to the directors of Tianda Holdings Limited

We report on the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows of the Resulting Group (collectively the "Unaudited Pro Forma Financial Information") of Tianda Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company ("Directors") for illustrative purposes only, to provide information about the proposed acquisition of Tianda Pharmaceuticals Group as defined in the circular of the Company dated 30 May 2012 (the "Circular") and the proposed disposal of 51 shares of Tianda Mining (Yunnan) Limited, one share of Heroway Limited, 10,000 shares of Cheng Cheng Printing Limited, and two shares of Yunyu Holdings Limited might have affected the financial information presented, for inclusion in Section A of Appendix III ("Unaudited Pro Forma Financial Information on the Resulting Group") to the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is also set out in Section A of Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities of 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" issued by the Hong Kong Institute of Certified Public Accountants.

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

Basis of opinion

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

We planned and performed our work so as to obtained the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) to the Listing Rules.

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

- the financial position of the Resulting Group (as defined in the Circular) as at 30 September 2011 or at any future dates; or
- the financial results and cash flows of the Resulting Group (as defined in the Circular) for the year ended 31 March 2011 or for any future periods.

OPINION

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CCIF CPA Limited
Certified Public Accounts

Hong Kong, 30 May 2012

Kwok Cheuk Yuen
Practising Certificate Number P02412

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent professional valuer, in connection with the valuation of the property held by "Tianda Pharmaceuticals (Zhuhai) Limited" as at 29 February 2012.

Vigers Appraisal and Consulting Limited
International Property Consultants
10/F, The Grande Building,
398 Kwun Tong Road, Kowloon, Hong Kong
Tel: (852) 2342 2000 Fax: (852) 3101 9041
www.Vigers.com

VIGERS 威格斯

30 May 2012

The Board of Directors
Tianda Holdings Limited
Suites 2405–2410, 24/F,
CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

Dear Sirs,

In accordance with your instruction for us to value the property interest held by "Tianda Pharmaceuticals (Zhuhai) Limited" (intended to be acquired by "Tianda Holdings Limited" (referred to as "the Company") and its subsidiary (hereinafter together referred to as "the Group"), we confirm that we have inspected the property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the property as at 29 February 2012 (the "Valuation Date").

BASIS OF VALUATION

Our valuation is our opinion of market value of the property which is defined as intended to mean "*the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller on an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". Our valuations have been prepared in accordance with "The HKIS Valuation Standards on Property (First Edition 2005)*" published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

VALUATION METHOD

In lack of sufficient comparables, we have valued the property on the basis of depreciated replacement cost ("DRC") whereby "DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization". Value of the property derived from the basis of DRC is subject to adequate profitability of the business in concern.

TITLE INVESTIGATION

The property is located in the People's Republic of China (the "PRC"), and we have been given extracted copies of relevant title documents for the property but we have not checked the titles to the property nor scrutinized the original title documents. We have relied on the advice given by the Group and its legal advisors on the laws of the PRC, HAIBU Attorneys-at-law (hereinafter referred to as the "PRC Legal Advisors") regarding titles to the property located in the PRC. For the purpose of our valuation, we have taken the legal opinion prepared by the PRC Legal Advisors into account. While we have exercised our professional judgement in arriving at our valuation, you are urged to consider our valuation assumptions with caution.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property can be sold in the prevailing market in existing state without the effect of any deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which may serve to affect the value of the property, unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the property.

In our valuation, we have assumed that the owner of the property has free and uninterrupted rights to use and assign the property during the whole of the unexpired land-use right's term granted subject to the payment of usual land-use fee.

No investigation has been carried out to determine the suitability of the ground conditions or the services for any property development(s) erected or to be erected on the property. Our valuation has been carried out on the assumption that these aspects are satisfactory. We have also assumed that all necessary consents, approvals and licences from relevant government authorities have been or will be granted without onerous conditions or delay.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property being valued for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the property is free from any encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the property.

We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas in respect of the property but we have assumed that the site and floor areas shown on the documents handed to us are correct.

Other special assumptions for the property have been stated in the valuation certificate, if any.

VALUATION CONSIDERATION

We have inspected the property included in the attached valuation certificate. During the course of our inspection, we did not note any serious defect. However, no structural survey nor test on any of the services has been made and we are therefore unable to report as to whether the property is free from rot, infestation or other structural or non-structural defect.

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Group, particularly in respect of planning approvals, statutory notices, easements, land-use rights, site areas, floor areas, occupancy status and in the identification of the property.

Unless otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us by the Group and are therefore approximations. We have had no reason to doubt the truth and accuracy of the information made available to us and we have been advised by the Group that no material facts have been omitted from the information so given.

REMARKS

We declare hereby that we are independent to the Group and we are not interested directly or indirectly in any shares in any member of the Group. We do not have any right or option whether legally enforceable or not to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

Unless otherwise stated, all monetary amounts stated herein are denoted in the currency of Renminbi (“RMB”), the lawful currency of the PRC.

We enclose herewith our Valuation Certificate.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

David W. I. Cheung	**Franky C. H. Wong**
MRICS MHKIS RPS(GP) CREA	*MSc(RealEst) MCIM MRICS MHKIS RPS(GP)*
Executive Director	*Assistant Director*

Note: Mr. David W. I. Cheung is a Registered Professional Surveyor in General Practice Division with over 29 years’ valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, Canada and the United States of America, who has been vetted on the list of property valuers for undertaking valuations for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers published by The Hong Kong Institute of Surveyors, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Cheung has 6-year of experience with Vigers Appraisal and Consulting Limited.

Mr. Franky C. H. Wong is a Registered Professional Surveyor in General Practice Division with over 11 years’ valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan and the United States of America. Mr. Wong has 6-year of experience with Vigers Appraisal and Consulting Limited.

VALUATION CERTIFICATE

Property Interest held for Owner-occupation Purpose

Property Address	:	A Parcel of Land (Lot No.: D0606101) with Workshops and Office Blocks erected thereon, No. 82 An Lian Road, Xiangzhou District, Zhuhai City, Guangdong Province, the People's Republic of China
Property Location	:	The property is located at the western side of Xihua Road near its junction with Mingzhu Road South in Xiangzhou, where is a mixed user area comprising industrial developments and residential communities.
Brieft Description	:	The property comprises an industrial complex for manufacturing use with ancillary facilities such as office, control rooms and staff canteen provided therein. Site Area (Granted) : 52,426.00 square metres Gross Floor Area : 44,184.93 square metres
Existing Use	:	Industrial
Government Rent	:	Not applicable
Summary of the Terms of Tenants' Leases of Underleases	:	Not applicable
Approximate Age of Buildings	:	The buildings of the property were complete in 1999.
Terms of Tenure	:	The land-use rights' term of the property is to be expired on 28 September 2042.
Terms of Intra-group Lease Granted by Parent Company to a Subsidiary on Property Occupied by the Group	:	Nil

Capital Value in Existing State at the Effective Date	:	RMB143,600,000 100%
Current Planning or Zoning Use	:	Industrial
Restrictions on Property Use	:	Industrial use only
Options or Rights of Pre-emption Concerning or Affecting the Property	:	Nil
Basis of and Approach to Valuation for the Property Interest	:	We have valued the property interest of the property on the basis of depreciated replacement cost ("DRC") whereby "*DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization*". Value of property interest of the property derived from the basis of DRC is subject to adequate profitability of the business in concern.
Last Inspection	:	3 February 2012
Summary of Investigation and Details of Inspection	:	We have inspected the exterior and the interior of the property. During the course of our inspections, we did not note any serious defect. The conditions of the interior and exterior of the property were considered to be reasonable according to its age and design. Building services such as water supply, electricity and air-conditioning services were available in the property. However, neither structural survey nor test on any of the services has been made and we are therefore unable to report as to whether the property are free from rot, infestation or other structural or non-structural defect.
Nature and Source of Information Relied On	:	We have relied to a considerable extent on the information given by the Group, particularly in respect of planning approvals, statutory notices, easements, land-use rights, site area, gross floor areas, occupancy status, building age and specification and in the identification of the property.

Details of Title and Ownership	:	(1) Pursuant to Guandong Province Real Estate Ownership Certificate (Document No.: Yue Fang Di Quan Zheng Zhu Zi No. 0100067677), the land-use rights of the property is vested in the name of "Tianda Pharmaceuticals (Zhuhai) Limited". (2) Pursuant to Guandong Province Real Estate Ownership Certificates (Document Nos.: Yue Fang Di Quan Zheng Zhu Zi Nos. 0100066827, 0100066818, 0100066817, 0100066819, 0100066821, 0100066820 and 0100066822), the building portion of the property is vested in the name of "Tianda Pharmaceuticals (Zhuhai) Limited".
Details of Encumbrances	:	Nil
Grouping of Property	:	The property is held for owner-occupation purpose.
Name and Qualification of Persons who Carried Out Site Inspection	:	Name : Franky C. H. Wong Qualification : MSc(RealEst) MCIM MRICS MHKIS RPS(GP) Experience : Over 11 years of experience in valuation of property in various location, including Hong Kong, Macao, the PRC, Japan and the United State of America
Other Matters Which May Materially Affect the Value	:	Nil
Existing Monthly Rent before Profits Tax	:	Not applicable
Summary of Material Rent Review Provisions	:	Not applicable
Amount of Material Vacant Space	:	Not applicable
Environment Issues	:	As confirmed by "Tianda Pharmaceuticals (Zhuhai) Limited", the use of the property does not constitute any breach of environmental regulations.

Details of Investigations, Notices, Pending Litigation, Breaches of Law or Title Defects	:	As confirmed by "Tianda Pharmaceuticals (Zhuhai) Limited", there is no pending litigation, breaches of law or title defects against the property.
Plans for Construction, Renovation, Improvement or Development of the Property and Estimated Associated Costs	:	As confirmed by the Group, there is no plan for construction, renovation, improvement or development of the property.
Plans to Dispose of or Change the Use of the Property	:	As informed by the Group, there is no plan to dispose of or change the use of the property.
Other Material Information for Investors	:	"Tianda Pharmaceuticals (Zhuhai) Limited" is a Sino-foreign owned enterprise established in accordance with the laws of the PRC; the Company will have 100% indirect equity holding stake immediately after TP Completion; and profit sharing is in accordance with equity holding stake.
Extract of the PRC Legal Opinion	:	The legal advisors have stated in their legal opinion, inter alia, that the land-use rights and the buildings of the property are legally vested in "Tianda Pharmaceuticals (Zhuhai) Limited"; and "Tianda Pharmaceuticals (Zhuhai) Limited" has the right to occupy, lease out, transfer, mortgage or by other legal means dispose of the land-use rights and building ownership of the property in accordance with the laws of the PRC.

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 enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Director's interests and short positions in the securities of the Company and its associated corporations

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

(i) Shares of the Company

Name of Director	Capacity	Number of shares held	Approximate percentage of shareholding
Mr. FANG Wen Quan	Held by controlled corporation	1,187,594,704 *(Note 1)*	63.50

(ii) Shares of Associated Corporations

Name of Director	Name of subsidiary	Number of shares held	Approximate percentage of shareholding
Mr. FANG Wen Quan	Tianda Mining (Gansu) Limited	49	49
	Tianda Mining (Yunnan) Limited	49	49

Notes:

1. All the above Shares are beneficially owned by Tianda Group Limited. Mr. FANG Wen Quan has 100% equity interests in Tianda Group Limited and, accordingly, is deemed to have a corporate interest in the above Shares owned by Tianda Group Limited.

2. All the interests stated above represent long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the conditional asset swap agreement dated 5 May 2010 entered into between the Company and Tianda Group in relation to the acquisition of the 60% equity interest in Cheng Cheng by the Company from Tianda and the of the disposal of (i) 1 ordinary share in each of Tinwise Investment Limited ("Tinwise") and Tianheng Properties Limited ("Tianheng Properties") owned by the Company; and (ii) the shareholder's loan owed by Tinwise, Tianheng Properties and 珠海天恆房地產有限公司 (Zhuhai Tianheng Real Estates Company Limited#) at a total consideration of HK$200 million;

(b) the conditional underwriting agreement dated 5 May 2010 and entered into between the Company and Tianda in relation to the offer for subscription at the subscription price of HK$0.21 per offer share ("Offer Share") to be made by the Company to the qualifying shareholders in the proportion of one Offer Share for every existing share held on 13 July 2010, by way of open offer ("Open Offer") upon the terms and conditions mentioned therein and more particularly described in the prospectus and the application form. The gross proceeds and the net proceeds of the Open Offer were approximately HK$196.4 million and approximately HK$195.0 million respectively;

(c) the TP Agreement;

(d) the TMY Agreement;

(e) the HL Agreement;

(f) the CCP Agreement; and

(g) the YH Agreement.

4. DIRECTORS' SERVICE CONTRACTS

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

5. EXPERTS

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

Name	Qualifications
Bridge Partners	A licenced corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
CCIF CPA Limited	Certified public accountants
Vigers Appraisal and Consulting Limited	Independent qualified property valuer

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

As at the Latest Practicable Date, each of the above experts does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. LITIGATION

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

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Group was made up.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Enlarged Group.

(b) As at the Latest Practicable Date, neither Bridge Partners and CCIF nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 March 2011, the date to which the latest published audited consolidated financial statements of the Group were made up.

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

(d) The company secretary of the Company is Mr. Lo Tai On, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Suites 2405–2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong from the date of this circular up to and including 22 June 2012 and at the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 March 2010 and 2011;

(c) the interim report of the Company for the six months ended 30 September 2011;

(d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 48 to page 49 to this circular;

(e) the letter of advice from Bridge Partners, the text of which is set out on pages 50 to 85 of this circular;

(f) the accountants' report on Tianda Pharmaceuticals Group, the text of which is set out in Appendix II to this circular;

(g) the unaudited pro forma financial information of the Resulting Group, the text of which is set out in Appendix III to this circular;

(h) the valuation report on the property interests of Tianda Pharmaceuticals Group issued by Vigers Appraisal and Consulting Limited as set out in Appendix IV to this circular;

(i) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(j) the written consents referred to under the paragraph headed "Experts" in this Appendix; and

(k) this circular.

天大控股有限公司
TIANDA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00455)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of Tianda Holdings Limited (the "**Company**") will be held at Suites 2405–2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on 22 June 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

1. "**THAT:**

(a) the agreement ("**TP Agreement**") (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) dated 30 March 2012 and entered into between Tianda Group Limited ("**Tianda Group**") and the Company pursuant to which the Company has agreed to purchase and Tianda Group has agreed to sell (i) 100 shares of US$1.00 each in the issued share capital of Tianda Pharmaceuticals Limited; and (ii) all of the shareholder's loan for a total consideration of HK$380,000,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the agreement ("**TMY Agreement**") (a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for the purpose of identification) dated 30 March 2012 entered into between the Company and Tianda Group pursuant to which the Company has agreed to sell and Tianda Group has agreed to purchase 51 shares of HK$1.00 each in the issued share capital of Tianda Mining (Yunnan) Limited for a total consideration of HK$10,800,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(c) the agreement ("**HL Agreement**") (a copy of which has been produced to the EGM marked "C" and signed by the chairman of the EGM for the purpose of identification) dated 30 March 2012 and entered into between the Company and Tianda Group pursuant to which the Company has agreed to sell and Tianda Group has agreed to purchase (i) one share of US$1.00 in the share capital of Heroway Limited; and (ii) all of the shareholder's loan for a total consideration of HK$3,400,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(d) the agreement (the "**CCP Agreement**") (a copy of which has been produced to the EGM marked "D" and signed by the chairman of the EGM for the purpose of identification) dated 30 March 2012 and entered into between the Company and Tianda Group pursuant to which the Company has agreed to sell and Tianda Group has agreed to purchase (i) the 10,000 shares of US$1.00 each in the share capital of Cheng Cheng Printing Limited; and (ii) all of the shareholder's loan for a total consideration of HK$233,000,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(e) the agreement ("**YH Agreement**") (a copy of which has been produced to the EGM marked "E" and signed by the chairman of the EGM for the purpose of identification) dated 30 March 2012 and entered into between the Company and Tianda Group pursuant to which the Company has agreed to sell and Tianda Group has agreed to purchase (i) two shares of HK$1.00 each in the share capital of Yunyu Holdings Limited; and (ii) all of the shareholder's loan for a total consideration of HK$55,000,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(f) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to take all steps he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the TP Agreement, TMY Agreement, HL Agreement, CCP Agreement, YH Agreement and the transactions contemplated thereunder."

SPECIAL RESOLUTION

2. "**THAT** subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands being obtained, the name of the Company be changed from "Tianda Holdings Limited" to "Tianda Pharmaceuticals Limited" and its Chinese name "天大控股有限公司" be changed to "天大藥業有限公司" and be adopted as the dual foreign name of the Company, and that any Director be and is hereby authorised to do all such acts and things and execute all documents he considers necessary or expedient in connection with or to give effect to such change of name of the Company and the adoption of the dual foreign name."

By order of the Board
Tianda Holdings Limited
FANG Wen Quan
Chairman

Hong Kong, 30 May 2012

Registered office:
Windward 1
Regatta Office Park
West Bay Road
Grand Cayman
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Suites 2405–2410, 24th Floor
CITIC Tower
No. 1 Tim Mei Avenue
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of a poll.