

VOLUNTARY CONDITIONAL GENERAL OFFER

by

SAC CAPITAL PRIVATE LIMITED
(Company Registration No.: 200401542N)
(Incorporated in the Republic of Singapore)

for and on behalf of

YIFAN INTERNATIONAL PHARMACEUTICAL CO., LIMITED
(Company Registration No.: 2141494)
(Incorporated in the Hong Kong Special Administrative Region
of the People's Republic of China)

to acquire all the issued and paid-up ordinary shares in the capital of

SCIGEN LTD
(Company Registration No.: 199805796R)
(Incorporated in the Republic of Singapore)

other than those already owned, controlled or agreed to be acquired by Yifan International
Pharmaceutical Co., Limited

DESPATCH OF OFFER DOCUMENT

1. INTRODUCTION

- 1.1 SAC Capital Private Limited ("**SAC Capital**") refers to the announcement released on 3 July 2018, for and on behalf of Yifan International Pharmaceutical Co., Limited (the "**Offeror**"), in relation to the voluntary conditional general offer (the "**Offer**") for all the issued and paid-up ordinary shares in the capital of SciGen Ltd (the "**Company**") (excluding treasury shares) (the "**Shares**"¹), other than those Shares already owned, controlled, or agreed to be acquired by the Offeror, but including Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers.

Capitalised terms not defined in this Announcement shall have the respective meanings given to them in the Offer Document (as defined below).

- 1.2 SAC Capital wishes to announce, for and on behalf of the Offeror, that the formal document dated 9 July 2018 containing the terms and conditions of the Offer ("**Offer Document**") will be despatched today to the shareholders of the Company ("**Shareholders**").

A copy of the Offer Document is available on the websites of the Australian Securities

¹ Shares include securities which may be transmuted into Shares, such as CHESS Depository Interests in the Company ("**CDIs**") in respect of which the underlying and corresponding security is one Share for each CDI, and such Shares being held by CHESS Depository Nominees Pty Limited on behalf of holders of CDIs. For the purposes of the Offer, references to Shareholders shall also include the holders of CDIs in the Company.

Exchange (“**ASX**”) (www.asx.com.au) and the Company (<http://scigenltd.com/newsroom/>).

2. ACCEPTANCE FORMS

The following documents are included with the Offer Document:

- (i) in the case of an Offer Document sent to a Shareholder who holds CDIs, a CDI Acceptance Form (CHESS) and/or a CDI Acceptance Form (Issuer Sponsored), as the case may be (collectively, the “**CDIs Acceptance Forms**”); and
- (ii) in the case of an Offer Document sent to a Shareholder who holds Shares in scrip form, a Shares Acceptance Form (together with the CDIs Acceptance Forms, the “**Acceptance Forms**”).

Copies of the CDIs Acceptance Forms are also available for download at the website of the Company (<http://scigenltd.com/newsroom/>).

3. CLOSING DATE

Acceptances of the Offer must be received no later than 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 (the “**Closing Date**”). The Offeror will not extend the Offer beyond the Closing Date. Accordingly, acceptances of the Offer received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 will be rejected.

4. PROCEDURES FOR ACCEPTANCE OF THE OFFER

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document and in the Acceptance Forms. Shareholders who wish to accept the Offer may do so by completing and returning the Acceptance Forms in accordance with the procedures set out in the Offer Document and the Acceptance Forms.

5. OFFER DOCUMENT AND ACCEPTANCE FORMS

- 5.1 Overseas Shareholders.** The Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for, sell or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in the Offer Document in any jurisdiction in contravention of applicable law. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction.

Where there are potential restrictions on sending the Offer Document and the Acceptance Forms to any overseas jurisdictions, the Offeror and SAC Capital each reserves the right not to send the Offer Document and the Acceptance Forms to Shareholders in such overseas jurisdictions. The availability of the Offer to Shareholders whose addresses are outside Singapore, Australia or Poland (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements in his own jurisdiction and exercise caution in relation to the Offer, as the Offer Document has not been reviewed by any regulatory authority in any overseas jurisdiction.

For the avoidance of doubt, the Offer is open to all Shareholders, including those to

whom the Offer Document and the Acceptance Forms have not been, or may not be, sent.

Copies of the Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

- 5.2 Copies of the Offer Document.** Shareholders (including CDI Holders and Overseas Shareholders) may (subject to compliance with applicable laws) obtain copies of the Offer Document, the Acceptance Forms and/or any related documents, between 8.30 a.m. to 5.00 p.m. (Sydney time) on weekdays and up to the Closing Date, from the Offeror by phoning the information line on 1300 161 485 (within Australia) or +61 3 9415 4351 (outside Australia) to request for the Offer Document, the Acceptance Forms and/or any related documents to be sent to an address in Singapore, Australia or Poland by ordinary post at the Shareholder's own risk, up to five (5) Market Days prior to the Closing Date.

6. INDEPENDENT ADVICE

SAC Capital is acting for and on behalf of the Offeror in connection with the Offer and does not purport to advise the Shareholders (including CDI Holders) and/or any other person. In preparing the Offer Document and the Acceptance Forms on behalf of the Offeror, SAC Capital has not had regard to the general or specific investment objectives, tax positions, risk profiles, financial situation or particular needs and constraints of any individual Shareholder (including CDI Holders).

The views and recommendation(s) of the Independent Directors and the independent financial adviser to the Independent Directors on the Offer will be made available to Shareholders in due course. Shareholders may wish to consider their advice before taking any action in relation to the Offer.

If any Shareholder is in any doubt about the Offer or the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

7. RESPONSIBILITY STATEMENT

The sole director of the Offeror has taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading, and that he accepts responsibility accordingly.

Where any information in this Announcement has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the sole director of the Offeror has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such

sources and/or, as the case may be, reflected or reproduced in this Announcement in its proper form and context.

Issued by
SAC CAPITAL PRIVATE LIMITED

For and on behalf of
YIFAN INTERNATIONAL PHARMACEUTICAL CO., LIMITED

9 July 2018

Forward-Looking Statements

All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast”, “targets” and similar expressions or future or conditional verbs such as “will”, “would”, “shall”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and none of the Offeror or SAC Capital undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or any other regulatory or supervisory body or agency.

Any enquiries relating to the Offer should be directed during office hours or (in the case of Computershare Investor Services Pty Limited) between 8.30 a.m. to 5.00 p.m. (Sydney time) on weekdays to:

Mr. Bernard Lim / Ms. Chow You Yah / Mr. Tan Kian Tiong
Director / Partner / Manager

SAC Capital Private Limited

1 Robinson Road
#21-02 AIA Tower
Singapore 048542
Tel: +65 6221 5590
Fax: +65 6221 5597

Computershare Investor Services Pty Limited

GPO Box 52
Melbourne VIC 3001
Tel: 1300 161 485 (within Australia)
+61 3 9415 4351 (outside Australia)

OFFER DOCUMENT DATED 9 JULY 2018

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY. THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING ACCEPTANCE FORMS WHICH FORM PART OF THIS DOCUMENT.

The contents of this Offer Document have not been reviewed by any regulatory authority in any jurisdiction. You are advised to exercise caution in relation to the Offer (as defined herein). If you are in any doubt about the Offer or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

This Offer Document contains a proposal which if implemented could result in the removal of the Company's CHES Depository Interests ("CDIs") from the Official List of the Australian Securities Exchange ("ASX").

SAC Capital Private Limited ("**SAC Capital**") is acting for and on behalf of Yifan International Pharmaceutical Co., Limited (the "**Offeror**") in connection with the Offer and does not purport to advise the shareholders of SciGen Ltd (the "**Company**") (including the CDI Holders (as defined herein)) and/or any other person. In preparing the letter to shareholders of the Company (the "**Shareholders**") (including CDI Holders) for and on behalf of the Offeror, SAC Capital has not had regard to the general or specific investment objectives, tax position, risk profiles, financial situation or particular needs and constraints of any individual Shareholder (including CDI Holders).

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares) ("**Shares**") and/or CDIs, you should immediately hand this Offer Document and the accompanying Acceptance Forms to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted to any Restricted Jurisdiction (as defined herein).

The views and recommendation(s) of the directors of the Company who are considered to be independent for the purposes of the Offer (the "Independent Directors") and the independent financial adviser to the Independent Directors on the Offer will be made available to you in due course. You may wish to consider their views before taking any decision in relation to the Offer.

VOLUNTARY CONDITIONAL GENERAL OFFER

by

SAC CAPITAL PRIVATE LIMITED

(Company Registration No.: 200401542N)
(Incorporated in the Republic of Singapore)

for and on behalf of

YIFAN INTERNATIONAL PHARMACEUTICAL CO., LIMITED

(Company Registration No.: 2141494)
(Incorporated in the Hong Kong Special Administrative Region
of the People's Republic of China)

to acquire all the issued and paid-up ordinary shares in the capital of

SCIGEN LTD

(Company Registration No.: 199805796R)
(Incorporated in the Republic of Singapore)

other than those already owned, controlled or agreed to be acquired by Yifan International
Pharmaceutical Co., Limited

ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.00 P.M. (SINGAPORE TIME) / 7.00 P.M. (SYDNEY TIME) ON 7 AUGUST 2018. THE OFFEROR WILL NOT EXTEND THE OFFER BEYOND 5.00 P.M. (SINGAPORE TIME) / 7.00 P.M. (SYDNEY TIME) ON 7 AUGUST 2018. THE OFFER PRICE IS FINAL. THE OFFEROR DOES NOT INTEND TO INCREASE THE OFFER PRICE.

The procedures for acceptance are set out in Appendix 2 to this Offer Document and in the accompanying Acceptance Forms.

NOTICE TO SHAREHOLDERS AND CDI HOLDERS IN AUSTRALIA

CDI Holders on the Australian register:

No separate offer is being made to acquire CDIs. However, CDI Holders (as defined herein) may accept the Offer in respect of the underlying Shares by, and only by, instructing the CDI Nominee (as defined herein) or, CHESS Depository Nominees Pty Limited, to accept the Offer in respect of the underlying Shares. The Offeror has engaged an Australian share registry, Computershare Investor Services Pty Limited ("**CDIs Receiving Agent**"), to receive and collate acceptances of the Offer in relation to Shares which underlie CDIs, to liaise with CDI Holders in relation to the Offer and to instruct the CDI Nominee to accept the Offer on behalf of the CDI Holders. Acceptances from CDI Holders must be received by the CDIs Receiving Agent before 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on the Closing Date (as defined herein). Acceptances received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on the Closing Date will be rejected.

The availability of the Offer to persons who are not resident in Singapore, Australia or Poland may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction.

Notice to Shareholders in Australia and CDI Holders:

A copy of this Offer Document has not been provided to the Australian Securities and Investments Commission ("**ASIC**"). Neither ASIC nor any of its officers takes any responsibility for the contents of this Offer Document. A copy of this Offer Document will be uploaded to the Company's ASX announcement platform. Neither the ASX nor any of its officers takes any responsibility for the contents of this Offer Document.

Whilst the beneficial interests in Shares trade on the ASX in the form of CDIs, the Offer is not regulated by the Australian takeovers rules in Chapter 6 of the Australian Corporations Act 2001 (Cth) as the Company is not incorporated in Australia.

CDIs are units of beneficial ownership in Shares, with each CDI representing a beneficial ownership interest in one Share. Legal title to the Shares underlying the CDIs is held by the CDI Nominee. CDI Holders can, if their instruction is received on time and in the required form, instruct the CDI Nominee to accept the Offer in respect of the Shares underlying the CDIs they hold. CDI Holders may only accept the Offer in respect of the underlying Shares by giving an instruction to the CDI Nominee. The CDI Nominee is prohibited by the ASX Settlement Operating Rules (as defined herein) from accepting the Offer in respect of particular Shares unless it is instructed to do so by the CDI Holder whose CDIs correspond with those Shares.

For the avoidance of doubt, valid acceptances of the Offer in respect of the CDIs received pursuant to the CDI Acceptance Forms (as defined herein) by the Closing Date shall be treated as valid acceptances of the underlying and corresponding Shares, which will be counted towards meeting the Minimum Acceptance Condition (as defined herein).

Details on how a CDI Holder can give an instruction to the CDI Nominee to accept the Offer are set out in **Appendix 2** to this Offer Document.

CDI Holders should be aware that the disposal of Shares (or beneficial interest in Shares) by them as described in this Offer Document may have taxation consequences in Australia and elsewhere. Such consequences are not set out in this Offer Document and such holders are urged to consult their tax advisers.

CONTENTS

	Page
DEFINITIONS	1
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS.....	8
INDICATIVE TIMETABLE	9
LETTER TO SHAREHOLDERS	10
1. INTRODUCTION	10
2. THE OFFER	10
3. PROCEDURES FOR ACCEPTANCE	13
4. IRREVOCABLE UNDERTAKING	13
5. AGREEMENT ON BINDING OFFER	14
6. INFORMATION ON THE OFFEROR AND YIFAN PHARMACEUTICAL	15
7. INFORMATION ON THE COMPANY	15
8. RATIONALE FOR THE OFFER.....	16
9. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY	16
10. FINANCIAL EVALUATION OF THE OFFER.....	17
11. DISCLOSURES OF SHAREHOLDINGS AND DEALINGS	18
12. CONFIRMATION OF FINANCIAL RESOURCES	18
13. OVERSEAS SHAREHOLDERS	18
14. GENERAL INFORMATION	20
15. DIRECTOR'S RESPONSIBILITY STATEMENT	21
APPENDIX 1 – DETAILS OF THE OFFER.....	22
APPENDIX 2 – PROCEDURES FOR ACCEPTANCE.....	25
APPENDIX 3 – ADDITIONAL INFORMATION ON THE OFFEROR.....	35
APPENDIX 4 – ADDITIONAL INFORMATION ON YIFAN PHARMACEUTICAL	39
APPENDIX 5 – ADDITIONAL INFORMATION ON THE COMPANY	43

CONTENTS

APPENDIX 6 – ADDITIONAL GENERAL INFORMATION.....	44
APPENDIX 7 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR.....	47
APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL	52

DEFINITIONS

Unless otherwise defined or where the context otherwise requires, the following definitions shall apply throughout this Offer Document and the Acceptance Forms:

“1Q2018”	:	The three-month period ended 31 March 2018
“ABO Agreement”	:	Shall have the meaning ascribed to it in Paragraph 5.1 of the Letter to Shareholders in this Offer Document
“Acceptance Forms”	:	The Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be
“ASIC”	:	Australian Securities and Investments Commission
“ASX”	:	Australian Securities Exchange
“ASX Settlement”	:	ASX Settlement Pty Limited ABN 49 008 504 543, a company incorporated in Australia and a wholly-owned subsidiary of ASX
“ASX Settlement Operating Rules”	:	The operating rules of the settlement facility provided by ASX Settlement
“Bioton”	:	Bioton Spolka Akcyjna
“Bioton Acquisition”	:	Shall have the meaning ascribed to it in Paragraph 5.1.1 of the Letter to Shareholders in this Offer Document
“Books Closure Date”	:	Shall have the meaning ascribed to it in Paragraph 2.1.5(i) of the Letter to Shareholders in this Offer Document
“Business Day”	:	A day which is not a Saturday, Sunday or public holiday, on which commercial banks are open for business in Australia
“CA Threshold”	:	Shall have the meaning ascribed to it in Paragraph 9.2 of the Letter to Shareholders in this Offer Document
“CDIs”	:	CHESS Depository Interests, in respect of which the underlying and corresponding security is one Share
“CDI Acceptance Forms”	:	The CDI Acceptance Form (CHESS) and/or the CDI Acceptance Form (Issuer Sponsored), as the case may be
“CDI Acceptance Form (CHESS)”	:	The CDI acceptance form applicable to CDI Holders who hold CDIs through the Company’s CHESS Subregister and which forms part of this Offer Document
“CDI Acceptance Form (Issuer Sponsored)”	:	The CDI acceptance form applicable to CDI Holders who hold CDIs through the Company’s Issuer Sponsored Subregister and which forms part of this Offer Document

DEFINITIONS

“CDI Holder”	:	A person who is the registered holder of one or more CDIs
“CDI Nominee”	:	CHESSE Depository Nominees Pty Limited ABN 75 071 346 506, a company incorporated in Australia and a wholly-owned subsidiary of ASX
“CDIs Receiving Agent”	:	Computershare Investor Services Pty Limited, in its capacity as receiving agent of the Offeror for acceptances of the Offer by CDI Holders
“CHESSE”	:	Clearing House Electronic Subregister System
“CHESSE CDI Acceptance”	:	An electronic takeover acceptance message submitted through CHESSE in relation to the Offer to instruct the intended CDI Nominee to accept the Offer in respect of Shares underlying and corresponding to CDIs
“CHESSE Subregister”	:	The meaning given in Section 2 of the ASX Settlement Operating Rules
“Closing Date”	:	5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018, being the last date for the lodgement of acceptances of the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	SciGen Ltd
“Company Securities”	:	Means collectively, any: <ul style="list-style-type: none">(i) Shares;(ii) securities which carry voting rights in the Company; or(iii) convertible securities, warrants, options, awards or derivatives in respect of Shares or securities which carry voting rights in the Company

DEFINITIONS

“Competing Offer”	:	Any offer, proposal or expression of interest by any person other than the Offeror pursuant to which such person or any other person may, whether directly or indirectly, and whether by share purchase, scheme of arrangement, merger or amalgamation, capital reconstruction, purchase of assets, tender offer, general offer, partial offer, joint venture or otherwise (i) acquire or become the holder or owner of, or otherwise have an economic interest in: (a) all or any substantial part of the businesses, assets, revenues and/or undertakings of the Company or (b) all or a significant portion of the share capital of the Company; (ii) acquire control of the Group or merge with the Company; (iii) benefit under any other arrangement having an effect similar to any of the above or (iv) effect a transaction which would preclude, materially delay, materially frustrate or restrict the Offer
“Controlling Participant”	:	The Participant that has the capacity in CHESS to transfer the CDIs
“derivative”	:	Shall mean any financial product whose value in whole or in part is determined, directly or indirectly, by reference to the price of an underlying security or securities which causes the holder to have a long economic exposure to the underlying securities
“Despatch Date”	:	9 July 2018, being the date of despatch of this Offer Document
“Dissenting Shareholders”	:	Shall have the meaning ascribed to it in Paragraph 9.2 of the Letter to Shareholders in this Offer Document
“Distributions”	:	Shall have the meaning ascribed to it in Paragraph 2.1.4 of the Letter to Shareholders in this Offer Document
“Encumbrances”	:	Shall have the meaning ascribed to it in Paragraph 2.1.4 of the Letter to Shareholders in this Offer Document
“FY”	:	The financial year ended or ending 31 December, as the case may be
“Group”	:	The Company and its subsidiaries
“Hong Kong”	:	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Directors”	:	The directors of the Company who are considered to be independent for the purposes of the Offer

DEFINITIONS

“Irrevocable Undertaking”	:	Shall have the meaning ascribed to it in Paragraph 4.1 of the Letter to Shareholders in this Offer Document
“Issuer Sponsored Subregister”	:	The meaning given in Section 2 of the ASX Settlement Operating Rules
“Last Market Day”	:	Shall have the meaning ascribed to it in Paragraph 10 of the Letter to Shareholders in this Offer Document
“Latest Practicable Date”	:	4 July 2018, being the latest practicable date prior to the printing of this Offer Document
“Licence”	:	Shall have the meaning ascribed to it in Paragraph 5.1.1 of the Letter to Shareholders in this Offer Document
“Market Day”	:	A day on which the ASX is open for trading of securities
“Offer”	:	The voluntary conditional general offer made by SAC Capital, for and on behalf of the Offeror, to acquire the Offer Shares on the terms and subject to the conditions set out in this Offer Document and the Acceptance Forms
“Offer Announcement”	:	The announcement released by SAC Capital, for and on behalf of the Offeror, on the Offer Announcement Date in relation to the Offeror’s firm intention to make the Offer
“Offer Announcement Date”	:	3 July 2018, being the date of the Offer Announcement
“Offer Document”	:	This document dated 9 July 2018, including the Acceptance Forms, and any other document(s) which may be issued by SAC Capital for and on behalf of the Offeror, to amend, revise, supplement or update the document(s) from time to time
“Offer Period”	:	The period commencing on the Pre-Conditional Offer Announcement Date and ending on the Closing Date or the date on which the Offer is declared to have lapsed
“Offer Price”	:	Shall have the meaning ascribed to it in Paragraph 2.1.2 of the Letter to Shareholders in this Offer Document
“Offer Shares”	:	All the Shares to which the Offer relates, as more particularly defined in Paragraph 2.1.1 of the Letter to Shareholders in this Offer Document
“Offer Unconditional Date”	:	The date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms
“Offeror”	:	Yifan International Pharmaceutical Co., Limited

DEFINITIONS

“Offeror Director”	:	The sole director of the Offeror as at the Latest Practicable Date, being Cheng Xianfeng
“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore, Australia or Poland
“Participant”	:	The meaning given in Section 2 of the ASX Settlement Operating Rules
“Pre-Conditional Offer Announcement”	:	The announcement released by SAC Capital, for and on behalf of the Offeror, on the Pre-Conditional Offer Announcement Date in relation to the pre-conditional voluntary general offer by the Offeror for all the Offer Shares
“Pre-Conditional Offer Announcement Date”	:	15 May 2018, being the date of the Pre-Conditional Offer Announcement
“Pre-Conditions”	:	Shall have the meaning ascribed to it in Paragraph 2.1 of the Pre-Conditional Offer Announcement
“Register”	:	The register of members of the Company
“Relevant Day”	:	Shall have the meaning ascribed to it in Paragraph 3.1 of Appendix 1 to this Offer Document
“Relevant Parties”	:	Shall have the meaning ascribed to it in Paragraph 11.1 of the Letter to Shareholders in this Offer Document
“Relevant Shares”	:	Shall have the meaning ascribed to it in Paragraph 4.1.1 of the Letter to Shareholders in this Offer Document
“Restricted Jurisdiction”	:	Shall have the meaning ascribed to it in Paragraph 13.1 of the Letter to Shareholders in this Offer Document
“SAC Capital”	:	SAC Capital Private Limited, being the financial adviser to the Offeror in connection with the Offer
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore
“Shareholders”	:	Persons who are holders of Shares, and where the Shares are registered in the name of the CDI Nominee, persons who are registered as holders of CDIs in the Company’s CHESS Subregister and/or the Company’s Issuer Sponsored Subregister

DEFINITIONS

“Shareholder’s Loan”	:	Shall have the meaning ascribed to it in Paragraph 5.1.1 of the Letter to Shareholders in this Offer Document
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company, which include securities which may be transmuted into such shares, such as CDIs
“Shares Acceptance Form”	:	Shares acceptance form for Offer Shares in scrip form in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and which forms part of this Offer Document
“Shares Receiving Agent”	:	B.A.C.S. Private Limited, in its capacity as receiving agent of the Offeror for acceptances of the Offer Shares in scrip form by Shareholders
“SIC”	:	The Securities Industry Council of Singapore
“Side Agreements”	:	Shall have the meaning ascribed to it in Paragraph 5.1.1 of the Letter to Shareholders in this Offer Document
“Specified Persons”	:	Shall have the meaning ascribed to it in Paragraph 3.4 of Appendix 2 to this Offer Document
“Sublicense Agreement”	:	Shall have the meaning ascribed to it in Paragraph 5.1.1 of the Letter to Shareholders in this Offer Document
“U.S.”	:	United States of America
“VWAP”	:	Volume weighted average price
“Yifan Pharmaceutical”	:	Yifan Pharmaceutical Co., Ltd
“Yifan Pharmaceutical Group”	:	Yifan Pharmaceutical and its subsidiaries
“A\$”	:	Australian dollars, being the lawful currency of Australia
“RMB”	:	Renminbi, being the lawful currency of the People’s Republic of China
“US\$”	:	United States dollars, being the lawful currency of the United States of America
“%” or “per cent.”	:	Per centum or percentage

DEFINITIONS

Acting in Concert. The expression “**acting in concert**” shall have the meaning as ascribed to it in the Code.

Announcement, Notice, etc. References to the making of an announcement or the giving of notice by the Offeror shall include the release of an announcement by SAC Capital or advertising agents, for and on behalf of the Offeror, to the press, or the delivery of or transmission by telephone, telex, facsimile or otherwise of an announcement to the ASX. An announcement made otherwise than to the ASX shall be notified simultaneously to the ASX.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing a single gender shall, where applicable, include any or all genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Offer Document are inserted for convenience only and shall be ignored in construing this Offer Document.

Rounding. Any discrepancies in the tables in this Offer Document between the listed amounts and the totals thereof are due to rounding. Accordingly, any figure shown as a total in this Offer Document may not be an arithmetic aggregation of the figures that precede them.

Offer Document. References to “**Offer Document**” shall include the Shares Acceptance Form and the CDI Acceptance Forms, unless the context otherwise requires.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Offer Document are, as the context so determines, to Shareholders.

Statutes. Any reference in this Offer Document to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended, modified or re-enacted. Any word defined under the Companies Act, the Code, the SFA or any modification thereof and used in this Offer Document shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code, the SFA or that modification thereof, as the case may be, unless the context otherwise requires.

Subsidiaries, Related Corporations. The expressions “**subsidiary**” and “**related corporations**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Time and Date. Any reference to a time of day and date in this Offer Document shall be a reference to Singapore time and date respectively, unless otherwise specified.

Total Number of Issued Shares and Percentage. In this Offer Document, the total number of issued Shares is a reference to a total of 552,270,320 Shares in issue (and there are no treasury shares) as at the Latest Practicable Date, unless the context otherwise requires. Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Offer Document are based on 552,270,320 Shares in issue as at the Latest Practicable Date (excluding treasury shares). For the avoidance of doubt, references to Shares includes securities which may be transmuted into Shares, such as CDIs.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Offer Document are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast”, “targets” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s and/or Yifan Pharmaceutical’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results, performance or achievements may differ materially from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. Given the risks and uncertainties that may cause the actual future results, performance or achievements to be materially different from those expected, expressed or implied by the forward-looking statements in this Offer Document, Shareholders and investors of the Company should not place undue reliance on such forward-looking statements. None of the Offeror, Yifan Pharmaceutical and SAC Capital guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Despatch Date	:	9 July 2018
Bioton's acceptance of the Offer pursuant to the Irrevocable Undertaking ⁽¹⁾	:	By no later than 5.00 p.m. (Singapore time) on 12 July 2018
Closing Date ⁽²⁾	:	5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018, such date being the last day for lodgement of acceptances of the Offer
Period for settlement of consideration	:	<p>In respect of valid and complete acceptances received on or before the Offer Unconditional Date, within seven Business Days of the Offer Unconditional Date.</p> <p>In respect of valid and complete acceptances received after the Offer Unconditional Date but before the Offer closes, within seven Business Days after the date of receipt of each such acceptance.</p>
Final date of settlement in respect of the Offer	:	Within seven Business Days after the Closing Date

Notes:

- (1) Pursuant to the Irrevocable Undertaking, Bioton has undertaken to the Offeror to, *inter alia*, tender all the Relevant Shares free from any Encumbrances in acceptance of the Offer, not later than 5.00 p.m. (Singapore time) on the date falling three business days after the Despatch Date, and not to withdraw such acceptance until (and including) the date on which the Offer lapses or is withdrawn by the Offeror, notwithstanding any rights of withdrawal under the Code. For the purpose of this footnote, a business day refers to a day which is not a Saturday, Sunday or public holiday in Singapore, Australia or Hong Kong.
- (2) The Offer must initially be open for at least 28 days after the Despatch Date. The Offeror will not extend the Offer beyond the Closing Date. Accordingly, acceptances received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 will be rejected.

LETTER TO SHAREHOLDERS



SAC CAPITAL PRIVATE LIMITED

(Company Registration No.: 200401542N)
(Incorporated in the Republic of Singapore)

9 July 2018

To: Shareholders / CDI Holders of SciGen Ltd

Dear Sir / Madam

VOLUNTARY CONDITIONAL GENERAL OFFER BY SAC CAPITAL FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Pre-Conditional Offer Announcement. On the Pre-Conditional Offer Announcement Date, SAC Capital announced, for and on behalf of the Offeror that, subject to and contingent upon the satisfaction or waiver of the Pre-Conditions, the Offeror intends to make a voluntary conditional general offer (the “Offer”) for all the Shares, other than those Shares already owned, controlled, or agreed to be acquired by the Offeror, but including Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror, in accordance with Rule 15 of the Code.

1.2 Offer Announcement. On the Offer Announcement Date, SAC Capital announced, for and on behalf of the Offeror, that all of the Pre-Conditions have been satisfied and accordingly the Offeror’s firm intention to make the Offer, as set out in the Offer Announcement.

Copies of each of the Pre-Conditional Offer Announcement and the Offer Announcement are available on the website of the ASX at www.asx.com.au.

1.3 Offer Document. For and on behalf of the Offeror, SAC Capital is pleased to make this Offer for the Offer Shares, on the terms and conditions set out in this Offer Document. This Offer Document contains the formal offer by SAC Capital, for and on behalf of the Offeror, to acquire all the Offer Shares. **Shareholders are urged to read this Offer Document carefully.**

2. THE OFFER

2.1 Offer Terms

2.1.1 Offer Shares. The Offer will be extended to all the Shares issued or to be issued on or prior to the close of the Offer, other than those Shares already owned, controlled, or agreed to be acquired by the Offeror, but including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror (the “Offer Shares”).

LETTER TO SHAREHOLDERS

2.1.2 Offer Consideration. The consideration for each Offer Share will be as follows:

For each Offer Share: US\$0.0507 in cash (the “Offer Price”).

The Offer Price is final. The Offeror does not intend to increase the Offer Price.

2.1.3 CHESSE Depository Interests. The Offeror is not making a separate offer to acquire CDIs. However, CDI Holders may accept the Offer in respect of underlying Shares by instructing the CDI Nominee to accept the Offer on their behalf, in accordance with the procedures set out in **Appendix 2** to this Offer Document.

2.1.4 No Encumbrances. The Offer Shares are to be acquired (i) fully paid and validly issued, (ii) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (collectively, the “**Encumbrances**”) and (iii) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) (the “**Distributions**”) declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.

2.1.5 Adjustment for Distributions. Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such accepting Shareholder falls, as follows:

- (i) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price shall remain unadjusted for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (ii) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.1.6 Minimum Acceptance Condition. The Offer will be conditional on the Offeror, having received by the Closing Date, valid acceptances pursuant to the Offer or otherwise acquiring Shares from the Despatch Date other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date).

LETTER TO SHAREHOLDERS

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares acquired or agreed to be acquired from the Despatch Date, will result in the Offeror holding such number of Shares carrying not less than 90 per cent. of the total number of Shares (other than treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date).

As set out in further detail in **Paragraph 4** below, Bioton has provided the Irrevocable Undertaking to the Offeror to tender its Shares (representing approximately 95.57 per cent. of the total number of Shares) in acceptance of the Offer. **Accordingly, after such acceptance by Bioton in respect of more than 90 per cent. of the total number of Shares, the Offer will become and be declared to be unconditional in all respects.**

For the avoidance of doubt, valid acceptances of the Offer in respect of the CDIs received pursuant to the CDI Acceptance Forms by the Closing Date shall be treated as valid acceptances of the underlying and corresponding Shares, which will be counted towards meeting the Minimum Acceptance Condition.

2.2 Warranty. Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (i) fully paid and validly issued; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements as of the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any) declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.

2.3 Closing Date. The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018. The Offeror will not extend the Offer beyond the Closing Date. Accordingly, notice is hereby given that acceptances of the Offer received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 will be rejected.

2.4 Further Details of the Offer. Appendix 1 to this Offer Document sets out further details on, *inter alia*:

2.4.1 the duration of the Offer;

2.4.2 the settlement of the consideration for the Offer;

2.4.3 the requirements relating to the announcement of the level of acceptances of the Offer; and

2.4.4 the right of withdrawal of acceptances of the Offer.

LETTER TO SHAREHOLDERS

3. PROCEDURES FOR ACCEPTANCE

Appendix 2 to this Offer Document sets out the procedures for acceptance of the Offer by a Shareholder (including those holding CDIs).

4. IRREVOCABLE UNDERTAKING

4.1 Irrevocable Undertaking. As at the Pre-Conditional Offer Announcement Date, the Offeror has executed an undertaking with Bioton (the “**Irrevocable Undertaking**”), pursuant to which Bioton has undertaken, represented and warranted to the Offeror, amongst other things:

- 4.1.1** subject to the satisfaction of the Pre-Conditions, to tender all the Shares beneficially owned by Bioton (or to procure its nominees to tender)¹ (the “**Relevant Shares**”) free from any Encumbrances in acceptance of the Offer, not later than 5.00 p.m. (Singapore time) on the date falling three Business Days after the Despatch Date, and notwithstanding any rights of withdrawal under the Code, not to (and to procure its nominees not to) withdraw any of the Relevant Shares tendered for acceptance until (and including) the date on which the Offer lapses or is withdrawn by the Offeror;
- 4.1.2** not accept (or permit the acceptance of) any Competing Offer or other offer for the Shares in respect of all or any of the Relevant Shares or approve, endorse, recommend, vote or agree to vote for (and shall vote against or reject) any Competing Offer, whether or not such Competing Offer or other offer is at a higher price than the Offer Price and/or on more favourable terms than under the Offer;
- 4.1.3** except pursuant to the Offer, not to sell, transfer, dispose of, charge, pledge or otherwise encumber, grant any option or other right over, enter into any arrangement that transfers any of the legal, beneficial or economic consequences of ownership of any of the Relevant Shares, or otherwise deal with any of the Relevant Shares or any interest in them (whether conditionally or unconditionally, directly or indirectly);
- 4.1.4** not exercise the voting rights attaching to the Relevant Shares in such manner as to oppose the taking of any action which might result in any Pre-Conditions or condition of the Offer not being satisfied;
- 4.1.5** not (a) acquire or seek to acquire any interest in the Shares (other than Shares that Bioton is the beneficial owner of as at the date of the Irrevocable Undertaking) or (b) announce or take any action which would require the announcement (whether under the Code or otherwise) of any proposals for any take-over, merger, consolidation or share exchange or similar transaction involving the securities of the Company; and
- 4.1.6** not enter into any agreement or arrangement with any person, whether conditionally or unconditionally (directly or indirectly), to do any of the acts prohibited by the above terms of **Paragraphs 4.1.1 to 4.1.5**.

¹ As at the Latest Practicable Date, Bioton is the beneficial owner of 527,786,735 CDIs, representing a beneficial interest in approximately 95.57 per cent. of the total number of Shares.

LETTER TO SHAREHOLDERS

- 4.2 Cessation of Irrevocable Undertaking.** The Irrevocable Undertaking shall lapse, cease and terminate on, *inter alia*, the earlier of (i) the date on which the Offer closes, lapses or is withdrawn, other than as a result of Bioton breaching its obligations under the Irrevocable Undertaking or (ii) such date as may be mutually agreed between Bioton and the Offeror.

For the avoidance of doubt, Bioton will NOT have the right to terminate the Irrevocable Undertaking on the basis that another offer for the Shares has been made (even if the price offered for the Shares is higher than the Offer Price).

- 4.3 No Other Undertakings.** Save for the Irrevocable Undertaking, the Offeror has not received any undertakings from any other party to accept or reject the Offer.

5. AGREEMENT ON BINDING OFFER

- 5.1 Salient Terms of the Agreement on Binding Offer.** The Offeror and Bioton have also entered into an agreement on binding offer on 15 May 2018 (the “**ABO Agreement**”) to set out, *inter alia*:

- 5.1.1** parties’ agreement in relation to (i) the Company’s novation of its rights, interests, duties, obligations and liabilities under an existing licence agreement and technology transfer agreement to Bioton (the licence held by the Company under such agreements, the “**Licence**”), (ii) Bioton’s acquisition of certain intellectual property rights (including certain trademarks currently owned by the Company) from the Company, (iii) the grant of a sublicense by the Company to Bioton in respect of the Licence (the agreement setting out such grant, the “**Sublicense Agreement**” and collectively with (i) and (ii), the “**Bioton Acquisition**”), (iv) the partial extinguishing of the existing shareholder’s loan made by Bioton to the Company² (the “**Shareholder’s Loan**”) as consideration payable for the Bioton Acquisition, (v) the waiver by Bioton of the Company’s obligation to repay the remaining amount of the Shareholder’s Loan and (vi) the termination of certain profit sharing agreements between Bioton and the Company.

The ABO Agreement provides that the Side Agreements (as defined below) will only take effect when, amongst others, (a) the Company is delisted from the ASX and (b) Shareholders pass all resolutions to approve the transactions in connection with the Side Agreements.

For the purpose of this Announcement, “**Side Agreements**” means the agreements which sets out parties’ agreement in relation to the transactions contemplated in (i), (ii), (iv) and (vi) of this **Paragraph 5.1.1** above; and

- 5.1.2** Bioton’s agreement to tender all its Shares in acceptance of the Offer pursuant to the Irrevocable Undertaking.

- 5.2 SIC Confirmation.** The SIC has confirmed that the Bioton Acquisition does not constitute a special deal under Rule 10 of the Code, provided that the independent financial adviser to the Company publicly states that in its opinion the terms of the Bioton Acquisition are fair and reasonable. The ABO Agreement also provides that the Side Agreements and the Sublicense Agreement will only take effect when the independent financial adviser to the Company provides an opinion that the terms of the Side Agreements and the Sublicense Agreement are fair and reasonable.

² As at 31 December 2017, the aggregate amount of the Shareholder’s Loan is US\$76,388,238.90.

LETTER TO SHAREHOLDERS

6. INFORMATION ON THE OFFEROR AND YIFAN PHARMACEUTICAL

- 6.1 The Offeror.** The Offeror is a company incorporated in Hong Kong and mainly focuses on the sale and distribution of pharmaceutical products, as well as providing high quality medicine and devices. The Offeror is a wholly-owned subsidiary of Yifan Pharmaceutical. As at the Latest Practicable Date, the Offeror has an issued share capital of US\$48,601,280, comprising 10,000 issued ordinary shares which is held by Yifan Pharmaceutical.

As at the Latest Practicable Date, the sole director of the Offeror is Cheng Xianfeng (程先鋒) (the “**Offeror Director**”).

- 6.2 Yifan Pharmaceutical.** Yifan Pharmaceutical is a company incorporated in the People’s Republic of China and listed on the Shenzhen Stock Exchange. The Yifan Pharmaceutical Group focuses on the development and manufacturing of pharmaceutical products.

As at the Latest Practicable Date, the directors of Yifan Pharmaceutical are Cheng Xianfeng (程先鋒), Ye Yiqun (叶依群), Zhou Benyu (周本余), Feng Deqi (冯德崎), Lin Hang (林行), Liu Meijuan (刘梅娟), Wang Zhao (汪钊), Zhang Kejian (张克坚) and Zhang Yingting (张颖霆).

- 6.3 Additional Information.** **Appendices 3 and 4** to this Offer Document set out additional information on the Offeror and Yifan Pharmaceutical respectively.

7. INFORMATION ON THE COMPANY³

- 7.1 The Company.** The Company is a public company incorporated in Singapore and listed on the ASX. The Company is a biopharmaceutical company manufacturing and marketing high quality biosimilar therapeutic products and other healthcare products. The Company focuses on the areas of endocrinology, paediatrics, neurology and oncology care. Its core product portfolio consists of biosimilar products, notably, recombinant human insulin and recombinant human growth hormone which have undergone substantial clinical development. The Company has built a diversified portfolio in recent years, comprising neurology, oncology care products, paediatric supplements, orthopaedic injection therapy, anti-hypertensives and a range of medical devices.

As at the Latest Practicable Date, the directors of the Company are Marek Dziki, Adam Tomasz Polonek, Lim Lean Guat, Kenneth Gross, Ju Bo Liu and Vaidyanathan Viswanath.

- 7.2 Share Capital of the Company.** As at the Latest Practicable Date, based on the latest information available to the Offeror, the Company has an issued and fully paid-up share capital of US\$42,530,137, comprising 552,270,320 Shares with no treasury shares. The Offeror is not aware of any outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights in the Company.

- 7.3 Additional Information.** **Appendix 5** to this Offer Document sets out additional information on the Company.

³ The information set out in this **Paragraph 7** is based on publicly available information on the Company.

LETTER TO SHAREHOLDERS

8. RATIONALE FOR THE OFFER

8.1 Offeror's Investment in the Company. The Offeror sees potential for continued growth in the various businesses and the subsidiaries of the Company, taking into account the geographical footprint of the Company's assets and its developments.

8.2 Combination of complementary business and expertise to realise potential synergies. The Offeror is of the view that the businesses of the Company and the Offeror are complementary and there are potential synergies that can be created, including cross-selling to an enlarged customer base, economies of scale, improvement of productivity and cost efficiency, as well as sharing of domain knowledge such as know-hows and best practices.

9. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

9.1 Offeror's Intentions in Relation to the Company. Upon completion of the Offer, the Offeror may undertake a strategic and operational review of the Company and its subsidiaries with a view of realising synergies, scale, cost efficiencies and growth potential.

Save as disclosed in **Paragraph 5.1.1** above, the Offeror presently has no intention to (i) introduce any major changes to the business of the Company, (ii) discontinue the employment of any of the existing employees of the Company and its subsidiaries or (iii) re-deploy any of the fixed assets of the Company, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider options and opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.

9.2 Compulsory Acquisition. In the event the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares from the Despatch Date other than through valid acceptances of the Offer) in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date and excluding treasury shares) (the "**CA Threshold**"), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer.

In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of shares in the Company. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

LETTER TO SHAREHOLDERS

9.3 Listing Status. The Offeror intends to make a request to delist the Company from the ASX in accordance with ASX Listing Rule 17.14, if the Offeror is entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act. It is expected that the ASX will, after reviewing the request for delisting, advise on the date on which the Company will be removed from the official list of the ASX, and any conditions that are required to be met in order for delisting of the Company to occur.

The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in the implementation of strategic initiatives and/or operational changes in the business, as well as dispense with compliance costs associated with the maintenance of its listed status.

10. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following premia over the historical traded prices of the CDIs listed on the ASX:

Description	Benchmark Price (A\$)	Premium over Benchmark Price (%)
Last transacted price of the CDIs on the ASX on 2 July 2018, being the last Market Day prior to the Offer Announcement Date	0.05 ⁴	38.1 ⁵
Last transacted price of the CDIs on the ASX on 14 May 2018, being the last Market Day prior to the Pre-Conditional Offer Announcement Date (“ Last Market Day ”)	0.024 ⁶	180.7 ⁷
VWAP of the CDIs on the ASX for the one-month period up to and including the Last Market Day	0.024	180.7 ⁷
VWAP of the CDIs on the ASX for the three-month period up to and including the Last Market Day	0.023	192.9 ⁷
VWAP of the CDIs on the ASX for the six-month period up to and including the Last Market Day	0.025	169.5 ⁷
VWAP of the CDIs on the ASX for the twelve-month period up to and including the Last Market Day	0.039	72.7 ⁷

Source: Bloomberg L.P.

⁴ This refers to the closing price on 26 June 2018, being the last Market Day on which the CDIs were traded prior to the Offer Announcement Date.

⁵ The premium has been calculated based on the closing exchange rate of A\$1:US\$0.7340 published on Bloomberg L.P. on 2 July 2018, being the last Market Day prior to the Offer Announcement Date.

⁶ This refers to the closing price on 7 May 2018, being the last Market Day on which the CDIs were traded prior and up to the Last Market Day.

⁷ The premia have been calculated based on the closing exchange rate of A\$1:US\$0.7526 published on Bloomberg L.P. on the Last Market Day.

LETTER TO SHAREHOLDERS

11. DISCLOSURES OF SHAREHOLDINGS AND DEALINGS

11.1 Holdings and Dealings in Company Securities. As at the Latest Practicable Date, based on the latest information available to the Offeror, and save as disclosed in **Appendix 6** to this Offer Document and in this Offer Document (including **Paragraphs 4** and **5** of the Letter to Shareholders in this Offer Document), none of (i) the Offeror; (ii) the Offeror Director; (iii) Bioton and (iv) any other person acting in concert with the Offeror (collectively, the “**Relevant Parties**”):

11.1.1 owns, controls or has agreed to acquire any Company Securities; or

11.1.2 has dealt for value in any Company Securities during the three-month period immediately preceding the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date.

11.2 Other Arrangements. As at the Latest Practicable Date, based on the latest information available to the Offeror and save as disclosed in **Appendix 6** to this Offer Document and in this Offer Document (including **Paragraphs 4** and **5** of the Letter to Shareholders in this Offer Document), none of the Offeror and any person acting in concert with the Offeror has:

11.2.1 entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Company Securities which may be an inducement to deal or refrain from dealing;

11.2.2 received any irrevocable commitment from any party to accept the Offer in respect of any Company Securities;

11.2.3 granted any security interest in respect of any Company Securities in favour of any other person, whether through a charge, pledge or otherwise;

11.2.4 borrowed any Company Securities from any other person (excluding those which have been on-lent or sold); or

11.2.5 lent any Company Securities to any other person.

12. CONFIRMATION OF FINANCIAL RESOURCES

SAC Capital, as the financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the Shareholders on the basis of the Offer Price.

13. OVERSEAS SHAREHOLDERS

13.1 Overseas Shareholders. This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for, sell or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction.

LETTER TO SHAREHOLDERS

Where there are potential restrictions on sending this Offer Document and the Acceptance Forms to any overseas jurisdictions, the Offeror and SAC Capital each reserves the right not to send this Offer Document and the Acceptance Forms to Shareholders in such overseas jurisdictions. The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements in his own jurisdiction, and exercise caution in relation to the Offer, as this Offer Document has not been reviewed by any regulatory authority in any overseas jurisdiction. **For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document and the Acceptance Forms have not been, or may not be, sent.**

Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a “**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

- 13.2 Copies of Offer Document.** Shareholders (including CDI Holders and Overseas Shareholders) may (subject to compliance with applicable laws) obtain copies of this Offer Document, the Acceptance Forms and/or any related documents, between 8.30 a.m. to 5.00 p.m. (Sydney time) on weekdays and up to the Closing Date, from the Offeror by phoning the information line on 1300 161 485 (within Australia) or +61 3 9415 4351 (outside Australia) to request for this Offer Document, the Acceptance Forms and/or any related documents to be sent to an address in Singapore, Australia or Poland by ordinary post at the Shareholder’s own risk, up to five (5) Market Days prior to the Closing Date.

Electronic copies of this Offer Document may also be obtained from the website of the ASX at www.asx.com.au. In addition, this Offer Document and the CDI Acceptance Forms may also be obtained from the website of the Company at <http://scigenltd.com/newsroom/>.

- 13.3 Overseas Jurisdiction.** It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, the Acceptance Forms and/or any related documents; and/or (ii) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including SAC Capital, the Shares Receiving Agent and the CDIs Receiving Agent) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including SAC Capital, the Shares Receiving Agent and the CDIs Receiving Agent) may be required to pay, and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Shareholder pursuant to the Offer and/or any exercise of the compulsory acquisition rights described in **Paragraph 9.2** of the Letter to Shareholders in this Offer Document. In (a) requesting for this Offer Document, the Acceptance Forms and/or any related documents; and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and SAC Capital that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Shareholder who is in any doubt about his position should**

LETTER TO SHAREHOLDERS

consult his professional adviser in the relevant jurisdiction. All Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdiction.

13.4 Notice. The Offeror and SAC Capital each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement on the ASX and if necessary, paid advertisement in a daily newspaper published and circulated in Australia, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.

14. GENERAL INFORMATION

14.1 Accidental Omission. Any omission relating to the despatch of this Offer Document (including the Acceptance Forms) or any notice, advertisement or announcement required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way.

14.2 Governing Law and Jurisdiction. The Offer, this Offer Document (including the Acceptance Forms), all acceptances of the Offer, all contracts made pursuant thereto and all actions taken or made or deemed to be taken or made in connection with any of the foregoing shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. All accepting Shareholders agree, by accepting the Offer, to submit to the non-exclusive jurisdiction of the Singapore courts.

14.3 No Third Party Rights. Unless expressly provided otherwise in this Offer Document (including the Acceptance Forms), a person who is not a party to any contracts made pursuant to the Offer and this Offer Document (including the Acceptance Forms) has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, to enforce any term of such contracts. Notwithstanding any term contained herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

14.4 Valid Acceptances. Each of the Offeror and SAC Capital reserves the right to treat acceptances of the Offer as valid if received by or on behalf of any of them at any place or places determined by them otherwise than as stated herein or in the Acceptance Forms, or if made otherwise than in accordance with the provisions herein and in the Acceptance Forms.

14.5 Independent Advice. SAC Capital is acting for and on behalf of the Offeror in connection with the Offer and does not purport to advise the Shareholders (including CDI Holders) and/or any other person. In preparing this Offer Document (including this Letter to Shareholders) on behalf of the Offeror, SAC Capital has not had regard to the general or specific investment objectives, tax position, risk profiles, financial situation or particular needs and constraints of any individual Shareholder (including CDI Holders). You must make your own decision as to whether to tender your Offer Shares. If you are in any doubt as to the action you should take, you should immediately seek your own advice from your relevant financial, legal or tax advisers or other independent financial adviser.

LETTER TO SHAREHOLDERS

The views and recommendation(s) of the Independent Directors and the independent financial adviser to the Independent Directors on the Offer will be made available by the Company to Shareholders in due course and in any event, they are required under the Code to despatch their views and recommendation(s) within 14 days after the Despatch Date. Shareholders may wish to consider their advice before taking any action in relation to the Offer.

14.6 General Information. Appendix 6 to this Offer Document sets out additional general information relating to the Offer.

15. DIRECTOR'S RESPONSIBILITY STATEMENT

The Offeror Director (including where he has delegated detailed supervision of the preparation of this Offer Document) has taken all reasonable care to ensure that the facts stated and all opinions expressed in this Offer Document are fair and accurate and that there are no other material facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading in any material respect, and he accepts responsibility accordingly.

Where any information in this Offer Document has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Offeror Director has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources and/or, as the case may be, reflected or reproduced in this Offer Document in its proper form and context.

Issued by

SAC CAPITAL PRIVATE LIMITED

For and on behalf of

YIFAN INTERNATIONAL PHARMACEUTICAL CO., LIMITED

9 July 2018

Any enquiries relating to the Offer should be directed during office hours or (in the case of Computershare Investor Services Pty Limited) between 8.30 a.m. to 5.00 p.m. (Sydney time) on weekdays to:

Mr. Bernard Lim / Ms. Chow You Yah / Mr. Tan Kian Tiong
Director / Partner / Manager

SAC Capital Private Limited

1 Robinson Road
#21-02 AIA Tower
Singapore 048542
Tel: +65 6221 5590
Fax: +65 6221 5597

Computershare Investor Services Pty Limited

GPO Box 52
Melbourne VIC 3001
Tel: 1300 161 485 (within Australia)
+61 3 9415 4351 (outside Australia)

APPENDIX 1 – DETAILS OF THE OFFER

1. DURATION OF THE OFFER

- 1.1 **Closing Date.** The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018, being the Closing Date. The Offeror has no intention of extending the Offer beyond the Closing Date. Accordingly, notice is hereby given that acceptances of the Offer received after 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on 7 August 2018 will be rejected.

- 1.2 **Revision.** The Offeror does not intend to revise the Offer Price. However, pursuant to Rule 20.1 of the Code, the terms of the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who have previously accepted the Offer.

2. SETTLEMENT

- 2.1 **When Settlement is Due.** Subject to the Offer becoming or being declared unconditional in all respects and to the receipt by the Offeror from accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in this Offer Document and in the Acceptance Forms, remittances in the form of US\$ crossed cheques drawn on a bank for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholders by ordinary post, at the risk of the accepting Shareholders at their respective mailing addresses (or in the case of accepting CDI Holders, to the addresses last recorded on the register of the CDI Holders supplied by the Company to the Offeror, or their appointed agents), as soon as practicable, and in any case:

2.1.1 in respect of valid acceptances which are complete in all respects and are received **on or before** the Offer Unconditional Date, within seven Business Days of the Offer Unconditional Date; or

2.1.2 in respect of valid acceptances which are complete in all respects and are received **after** the Offer Unconditional Date, but before the Offer closes, within seven Business Days of the date of such receipt.

- 2.2 **Method of Settlement.** Remittance of the Offer Price will be made in the form of US\$ crossed cheques drawn on a bank for the appropriate amounts and will be sent to the accepting Shareholders by ordinary post to their respective mailing addresses last recorded on the register supplied by the Company to the Offeror or as they appear in the Register (as the case may be) (or in the case of accepting CDI Holders, to the addresses last recorded on the register of CDI Holders supplied by the Company to the Offeror, or their appointed agents) at their own risk.

APPENDIX 1 – DETAILS OF THE OFFER

3. ANNOUNCEMENTS

3.1 Timing and Contents. Pursuant to Rule 28.1 of the Code, **by 8.00 a.m. (Singapore time)** on the Market Day (the “**Relevant Day**”) immediately after the day on which the Offer is due to expire, or becomes or is declared to be unconditional as to acceptances, or is revised or extended (if applicable), the Offeror will announce and simultaneously inform the ASX of the total number of Shares (as nearly as practicable):

3.1.1 in respect of which valid acceptances of the Offer have been received;

3.1.2 held by the Offeror and any party acting in concert with it prior to the commencement of the Offer Period; and

3.1.3 acquired or agreed to be acquired by the Offeror and any party acting in concert with it during the Offer Period,

and will specify the percentages of the total number of the Shares in issue represented by such numbers.

3.2 Suspension. Under Rule 28.2 of the Code, subject to **Paragraph 13.4** of the Letter to Shareholders in this Offer Document, if the Offeror is unable, within the time limit, to comply with **Paragraph 3.1** of this **Appendix 1**, the SIC will consider requesting the ASX to suspend dealings in the Shares until the relevant information is given.

3.3 Valid Acceptances of Offer Shares. Under Rule 28.1 of the Code, subject to **Paragraph 14.4** of the Letter to Shareholders in this Offer Document, in computing the number of Offer Shares represented by acceptances received by the Offeror (including Offer Shares represented by CDIs), the Offeror will, at the time of making an announcement take into account acceptances which are complete and valid in all respects. Acceptances of the Offer will only be treated as valid for the purposes of the acceptance condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

For the avoidance of doubt, valid acceptances of the Offer in respect of the CDIs pursuant to the CDI Acceptance Forms shall be treated as valid acceptances of the underlying and corresponding Shares. Acceptances of the Offer in relation to CDIs will only be valid if acceptance of the Offer is in accordance with Rule 14.14 of the ASX Settlement Operating Rules.

3.4 Announcements. In this Offer Document, references to the making of any announcement or the giving of notice by the Offeror include the release of an announcement by SAC Capital, for and on behalf of the Offeror, to the press or on the website of ASX at www.asx.com.au.

4. RIGHT OF WITHDRAWAL

4.1 Acceptances Irrevocable. Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable and may not be withdrawn.

APPENDIX 1 – DETAILS OF THE OFFER

4.2 Right of Withdrawal. A Shareholder who has accepted the Offer may:

4.2.1 withdraw his acceptance immediately if the Offer has become or been declared unconditional as to acceptances but the Offeror fails to comply with any of the requirements set out in **Paragraph 3.1** of this **Appendix 1** by **3.30 p.m. (Singapore time) / 5.30 p.m. (Sydney time)** on the Relevant Day. The Offeror may terminate this right of withdrawal not less than eight days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in **Paragraph 3.1** of this **Appendix 1**; and

4.2.2 withdraw his acceptance immediately if a competing offer for the Offer Shares becomes or is declared to be unconditional as to acceptances. This right of withdrawal also applies in the converse situation: if the Offer becomes or is declared unconditional as to acceptances, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance of such offer immediately.

4.3 Procedure for Withdrawal of Acceptances. To withdraw his acceptance under the Offer, an accepting Shareholder must give written notice to the Offeror at Yifan International Pharmaceutical Co., Limited c/o Computershare Investor Services Pty Limited, GPO Box 52, Melbourne VIC 3001 (if he is a CDI Holder) or c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544 (if he is a Shareholder holding Shares in scrip form), as the case may be.

Such notice of withdrawal shall be effective only if signed by the accepting Shareholder or his agent duly appointed in writing, and when actually received by the Offeror. Where an agent is appointed by a Shareholder, evidence of appointment of the agent must be produced in a form satisfactory to the Offeror.

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER BY SHAREHOLDERS WHO HOLD CDIs

1.1 No separate offer is being made to acquire CDIs. However, CDI Holders may accept the Offer in respect of the Shares underlying and corresponding with the CDIs held by them by, and only by, giving an instruction to the CDI Nominee. To give such an instruction:

1.1.1 CDI Holders who hold CDIs through the Company's Issuer Sponsored Subregister must complete and sign the CDI Acceptance Form (Issuer Sponsored) provided to CDI Holders in accordance with the instructions on that form and return it to the address noted on the form, being c/o Computershare Investor Services Pty Limited, GPO Box 52, Melbourne VIC 3001, so that it is received at such address before the Closing Date; or

1.1.2 CDI Holders who hold CDIs through the Company's CHESS Subregister must:

- (i) if they are not a Participant, instruct their Controlling Participant (usually their broker) to initiate acceptance of the Offer on their behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
- (ii) if they are a Participant, initiate acceptance of the Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules; or
- (iii) as an alternative to (i), complete and sign the CDI Acceptance Form (CHESS) in accordance with the instructions on the form and return it to the address noted on the form, being c/o Computershare Investor Services Pty Limited, GPO Box 52, Melbourne VIC 3001, before the Closing Date. The CDIs Receiving Agent will liaise with the CDI Holder's Controlling Participant and request them to initiate acceptance of the Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules.

1.2 If a CDI Holder's CDIs are held in different parcels in different forms, acceptance of the Offer will require action under 1.1.1 or 1.1.2 above in relation to the different parcels of the CDIs held by the CDI Holder.

1.3 The CDIs Receiving Agent will collate CDI acceptance instructions, present these to the CDI Nominee and request the CDI Nominee to accept the Offer on behalf of CDI Holders in respect of the relevant underlying and corresponding Shares. To enable the CDIs Receiving Agent to carry out this process, acceptances from CDI Holders must be received by the CDIs Receiving Agent in sufficient time to allow the CDI Holder's instructions to be acted upon prior to the Closing Date.

1.4 CDI Holders should make such enquiries and take such actions as are necessary to ensure that the CDI Holder's acceptance instruction is received by the CDIs Receiving Agent prior to the Closing Date. Holders of CDIs should contact their brokers, the CDIs Receiving Agent or the CDI Nominee for further information.

Note: Unless specified otherwise, (i) a reference to an acceptance of the Offer by or on behalf of a CDI Holder in respect of the CDIs is taken to be a reference to an acceptance of the Shares underlying and corresponding with the CDIs or an instruction to the CDI Nominee to accept the Offer in respect of the Shares underlying and corresponding with the CDIs (as the context requires); and (ii) a reference to Shares is taken to be a reference to Shares which underline, and correspond with, the relevant CDIs.

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

- 1.5 No separate offer is being made for the CDIs themselves.
- 1.6 Where an acceptance relates to Shares which underlie CDIs and the Offer consideration in respect of those Shares is to be paid in US\$, that cash payment will be made in the form of a US\$ crossed cheque drawn on a bank. The cheque will be despatched by ordinary post to the relevant CDI Holders (to the addresses last recorded on the register of CDI Holders supplied by the Company to the Offeror) to their appointed agents.
- 1.7 In the case of CDIs, if withdrawals of acceptances of the Offer in relation to the Shares underlying and corresponding with the CDIs are permitted pursuant to **Paragraph 4 of Appendix 1** to this Offer Document, a CDI Holder may instruct the CDI Nominee to withdraw his acceptance of the Offer in respect of underlying and corresponding Shares as follows:
- 1.7.1 if the CDIs are held through the Company's CHESSE Subregister, a withdrawal must be effected in accordance with the ASX Settlement Operating Rules (contact your Controlling Participant (normally your broker) for details); and
- 1.7.2 if the CDIs are held through the Company's Issuer Sponsored Subregister, a withdrawal must be made by written notice signed by the accepting CDI Holder (or his agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to the Offeror, is produced with the notice) given by post to the CDIs Receiving Agent.
- 1.8 Without prejudice to anything else in this Offer Document or the terms of the CDI Acceptance Forms, each CDI Holder may instruct (whether directly or via their Controlling Participant) the CDI Nominee to accept the Offer in respect of the Shares underlying and corresponding with the CDIs they hold and which are designated as accepted in the CDI Acceptance Forms or in an acceptance effected by their Controlling Participant on their behalf (in each case the "**Accepted Shares**"). Each CDI Holder who instructs (whether directly or via their Controlling Participant) the CDI Nominee to accept the Offer in respect of the Accepted Shares underlying and corresponding with the CDIs irrevocably undertakes, represents, warrants and agrees to and with the Offeror and the CDIs Receiving Agent (so as to bind him or her, his or her personal or legal representatives, heirs, successors and assigns):
- 1.8.1 that:
- (i) the instructions to the CDI Nominee is to accept the Offer for all of the Shares (which are therefore the Accepted Shares) which underlie, and correspond with:
- (a) where a CDI Acceptance Form (Issuer Sponsored) designates all CDIs as accepted, that number of CDIs registered in the name of the CDI Holder, irrespective of what the CDI Acceptance Form (Issuer Sponsored) discloses as the number of CDIs that are held by the CDI Holder; and
- (b) where a CDI Acceptance Form (Issuer Sponsored) or CHESSE CDI Acceptance designates a number of CDIs as accepted, the lower of that number of CDIs registered in the name of the CDI Holder and the number of CDIs designated as accepted in the CDI Acceptance Form (Issuer Sponsored) or the CHESSE CDI Acceptance;

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

- (ii) in respect of any CDIs which are held on the CHESSE Subregister, the CDI Holder is deemed to have irrevocably authorised and directed the Offeror severally by its officers, nominees and agents (including the CDIs Receiving Agent) to:
 - (a) instruct the CDI Holder's Controlling Participant to initiate acceptance of the Offer on its behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules so as to instruct the CDI Nominee to accept the Offer for all of the Shares (which are therefore Accepted Shares) which underlie, and correspond with:
 - (I) where a CDI Acceptance Form (CHESSE) designates all CDIs as accepted, that number of CDIs registered in the name of the CDI Holder, irrespective of what the CDI Acceptance Form (CHESSE) discloses as the number of CDIs that are held by the CDI Holder; and
 - (II) where a CDI Acceptance Form (CHESSE) designates a number of CDIs as accepted, the lower of that number of CDIs registered in the name of the CDI Holder and the number of CDIs designated as accepted in the CDI Acceptance Form (CHESSE);
 - (b) give any other instructions in relation to CDIs relating to Accepted Shares to the CDI Holder's Controlling Participant on the CDI Holder's behalf under the sponsorship agreement between the CDI Holder and their Controlling Participant, as determined by the Offeror acting in its own interest as a beneficial owner and intended registered holder of the Shares which underlie, and correspond with, the CDIs held by the CDI Holder;
- (iii) in respect of any CDIs which are held on the Issuer Sponsored Subregister, the CDI Holder asks the Company to reserve for the Offeror under ASX Listing Rule 8.12.1 all CDIs relating to the Accepted Shares and the CDI Holder is deemed to have irrevocably authorised the Offeror severally by its officers, nominees and agents (including the CDIs Receiving Agent) to ask the Company to do so on the CDI Holder's behalf;
- (iv) the CDI Holder is deemed to have irrevocably authorised and directed the Offeror severally by its officers, nominees and agents (including the CDIs Receiving Agent) to request and instruct the CDI Nominee to direct the Offeror to pay the Offer consideration in accordance with **Appendix 2** to this Offer Document;
- (v) the CDI Holder is deemed to have irrevocably authorised the Offeror severally by its officers, nominees and agents (including the CDIs Receiving Agent) to contact the Company or the CDIs Receiving Agent (and any of their officers or agents), from time to time, to request and be provided with full details, in such form and manner as requested, of the CDI Holder's holding(s) of CDIs together with such particular information relating to the holding(s) as requested;

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

- (vi) the CDI Holder is deemed to have given an undertaking to execute any documents, take any further action and give any further assurances which may be required to enable the Offeror to obtain the full benefit of the acceptance and/or to perfect any of the authorities expressed to be given hereunder and otherwise in connection with their acceptance of the Offer, in each case on and subject to the terms and conditions set out or referred to in this Offer Document and the CDI Acceptance Forms and that, subject to the rights of withdrawal set out above, each such instruction, authorisation and direction shall be irrevocable, provided that if the CDI Acceptance Form is otherwise completed incorrectly or does not specify a number of CDIs or specifies a greater number of CDIs than the number of CDIs that are held by the CDI Holder but the CDI Acceptance Form is signed, it will be deemed to be an acceptance of the terms of the Offer in respect of all the Shares underlying and corresponding with the CDIs registered in the name of the CDI Holder;

1.8.2 that the CDI Holder is entitled to dispose of the CDIs and the beneficial ownership interest of the underlying and corresponding Shares in respect of which the Offer is accepted or deemed to be accepted and that the Shares in respect of which the Offer is accepted or deemed to be accepted are sold fully paid and free from all Encumbrances and together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions declared, paid or made by the Company in respect of the Shares on or after the Pre-Conditional Offer Announcement Date;

1.8.3 that such CDI Holder:

- (i) has not received copies or originals of this Offer Document, the CDI Acceptance Form or any related documents in any Restricted Jurisdiction; and
- (ii) has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in the Offeror or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer in respect of Shares underlying and corresponding with the CDIs;

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

- 1.8.4** that the execution of the CDI Acceptance Form and its delivery and, as applicable, CHESSE CDI Acceptance in accordance with this Offer Document constitutes (subject to the Offer becoming unconditional in accordance with its terms and to the accepting CDI Holder not having validly withdrawn their acceptance) the irrevocable appointment of any directors of, or any person authorised by the Offeror as their agent and/or attorney with an irrevocable instruction to the agent and/or attorney to do all such acts and things as may in the opinion of such agent and/or attorney be required to:
- (i) complete and execute all or any form(s) of transfer, renunciation and/or documents at the discretion of such attorney in relation to the Shares corresponding to CDIs comprised in or relating to the acceptance in favour of the Offeror or such other persons as the Offeror or its agents may direct;
 - (ii) deliver any form(s) of transfer, renunciation and/or other document(s) at the discretion of such attorney together with any share certificate or other document(s) of title for registration relating to such Shares for registration within six months of the Offer becoming unconditional; and
 - (iii) take any other action as may in the opinion of such attorney be necessary or expedient for the purposes of or in connection with the acceptance of the Offer and to vest in the Offeror (or its nominees) the full legal and beneficial ownership of the Shares, including, without limitation, giving instructions to any Controlling Participant of the CDIs comprised in or relating to the acceptance to give effect to any action described in section 1.8.4 subsections (i) to (ii) in CHESSE;
- 1.8.5** that the execution of the CDI Acceptance Form and, as applicable, CHESSE CDI Acceptance, and its delivery constitutes (subject to the Offer becoming unconditional in accordance with its terms and to such Shareholder not having validly withdrawn his acceptance) an irrevocable instruction and authorisation:
- (i) to the CDI Nominee to transfer the corresponding CDIs to the Offeror's account; and
 - (ii) subject to the provision of **Appendix 1** to this Offer Document, to the Offeror or their respective agents, to procure the issue and despatch by post of a cheque in respect of any cash consideration to which such CDI Holder is entitled under the Offer at such CDI Holder's risk, to the first named holder at their registered address;
- 1.8.6** the execution of the CDI Acceptance Form and, as applicable, a CHESSE CDI Acceptance in accordance with this Offer Document constitutes a separate authority to any director of the Offeror and/or its agents and the irrevocable appointment of any such director and/or agent as such CDI Holder's attorney and/or agent within the terms set out in **Paragraph 1** of this **Appendix 2** to this Offer Document to take the various actions set out in **Paragraph 1** of this **Appendix 2** to this Offer Document;

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

- 1.8.7** that, subject to the Offer becoming unconditional in respect of the Shares which has been accepted or deemed to be accepted, which acceptance has not been validly withdrawn and pending registration in the name of the Offeror or as it may direct:
- (i) the Offeror or its agents shall be authorised to direct the exercise of any votes and any or all other rights and privileges (including the right to call a general or separate class meeting of the Company) attaching to the Shares underlying and corresponding with the CDIs in respect of which the Offer has been accepted or is deemed to have been accepted; and
 - (ii) the execution of the CDI Acceptance Form or, as applicable, a CHESSE CDI Acceptance in accordance with this Offer Document constitute, with regard to the Shares underlying and corresponding with the CDIs comprised in such acceptance:
 - (a) an authority to the Company or its agents to send any notice, circular, warrant or other document or communication which may be required to be sent to them as a holder of CDIs to the Offeror at its registered office;
 - (b) an irrevocable authority to any directors of, or person authorised by, the Offeror to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the CDIs held by him or the Shares underlying and corresponding with the CDIs (including, without limitation, signing any consent to short notice of a general or separate class meeting as their attorney and on their behalf and executing a form of proxy appointing any person nominated by the Offeror to attend general and separate class meetings of the Company and attending any such meeting (and any adjournment thereof) and exercise on their behalf the votes attaching to the CDIs or Shares comprised or deemed to be comprised in the acceptance, such votes to be cast so far as possible to satisfy any outstanding condition of the Offer); and
 - (c) the agreement of such CDI Holder not to exercise any such rights without the consent of the Offeror and the irrevocable undertaking not to appoint a proxy for or to attend such general or separate class meeting of the Company;
- 1.8.8** that the terms and conditions of the Offer shall be deemed to be incorporated in, and form part of, the CDI Acceptance Form, which shall be read and construed accordingly and deemed to be incorporated in, and form part of, each CHESSE CDI Acceptance;
- 1.8.9** that, if the CDI Holder accepts the Offer, he or she shall do all such acts and things as shall be necessary or expedient to vest in the Offeror or its nominees or such other persons as it may decide the Shares as aforesaid;

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

- 1.8.10** that subject to the Offer becoming unconditional in accordance with its terms and to such CDI Holder not having validly withdrawn their acceptance instructions, the Offeror is entitled to register a transfer of the underlying and corresponding Shares accepted into the Offer even if the CDI Holder has yet to be paid the applicable Offer consideration;
- 1.8.11** that the CDI Holder will ratify each and every act or thing which may be done or effected by the Offeror or the CDIs Receiving Agent or by any of their respective directors or agents or the Company or its agents, as the case may be, in the proper exercise of any of his or its powers or authorities conferred by or referred to in this Offer Document;
- 1.8.12** that, if any provision of this Offer Document will be unenforceable or invalid or will not operate so as to afford the Offeror or the CDIs Receiving Agent or any of their respective directors, agents or persons authorised by them, the benefit of the authorities and powers of attorney expressed to be given therein, they will with all practicable speed do all such acts and things and execute all such documents as may be required or desirable to enable the Offeror and/or the CDIs Receiving Agent and/or any director or agent of any of them to secure the full benefit of such authorities and powers of attorney; and
- 1.8.13** that the execution of the CDI Acceptance Forms and, as applicable, a CHESSE CDI Acceptance in accordance with this Offer Document constitutes their submission to the exclusive jurisdiction of the courts of Singapore in relation to all matters arising in connection with the Offer and the CDI Acceptance Form.

2. PROCEDURES FOR ACCEPTANCE OF THE OFFER BY SHAREHOLDERS WHO HOLD OFFER SHARES IN SCRIP FORM

- 2.1 Shareholders who hold Offer Shares in scrip form.** If you hold Offer Shares in scrip form, you are entitled to receive this Offer Document together with the Shares Acceptance Form.
- 2.2 Acceptance.** If you wish to accept the Offer in respect of such Offer Shares, you should:
- 2.2.1** complete and sign the Shares Acceptance Form (which is available upon request from Yifan International Pharmaceutical Co., Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544) in accordance with the provisions and instructions in this Offer Document and the provisions and instructions printed on the Shares Acceptance Form (which provisions and instructions shall be deemed to form part of the terms and conditions of the Offer); and
- 2.2.2** deliver:
- (i) the completed and signed Shares Acceptance Form in its entirety (no part may be detached or otherwise mutilated);

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

- (ii) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the Shares Acceptance Form;
- (iii) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it); and
- (iv) any other relevant document(s),
either:
 - (a) **by hand**, to Yifan International Pharmaceutical Co., Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
 - (b) **by post**, to Yifan International Pharmaceutical Co., Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544,

in either case so as to arrive not later than 5.00 p.m. (Singapore time) / 7.00 p.m. (Sydney time) on the Closing Date.

If the number of Offer Shares in respect of acceptances for the Offer as inserted by you in the Shares Acceptance Form exceeds the number of Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the Shares Acceptance Form, or if no such number of Offer Shares is inserted by you, then you shall be deemed to have accepted the Offer in respect of all the Offer Shares as represented by the share certificate(s) and/or other document(s) of title accompanying the Shares Acceptance Form.

2.3 General. If you wish to accept the Offer, it is your responsibility to ensure that the Shares Acceptance Form is properly completed and executed in all respects and that the Shares Acceptance Form should be submitted with original signature(s) and that all required documents, where applicable, are provided. The Offeror, SAC Capital and/or the Shares Receiving Agent will be entitled, at their sole and absolute discretion, to reject or accept any acceptance which does not comply with the provisions and instructions contained herein and in the Shares Acceptance Form, or (subject to the preceding paragraph) which is not accompanied by the relevant share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Offeror, or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality or invalid in any respect. Any decision to reject the Shares Acceptance Form on the grounds that it has been incompletely, incorrectly or invalidly signed, completed or submitted, unsigned or signed but not in its originality will be final and binding, and none of the Offeror, SAC Capital and/or the Shares Receiving Agent accepts any responsibility or liability for the consequences of such a decision. The Offeror and SAC Capital each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document and in the Shares Acceptance Form, or if made otherwise than in accordance with the provisions of this Offer Document and in the Shares Acceptance Form.

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

No acknowledgement of receipt of any Shares Acceptance Form, share certificate(s), other document(s) of title, transfer form(s) and/or any other relevant document(s) required by the Offeror will be given.

All communications, notices, certificates, documents and remittances to be delivered or sent to you will be sent by ordinary post to your mailing address at the risk of the person(s) entitled thereto.

Payment will be sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register) by ordinary post at your address as it appears in the Register at your own risk (or to such different name and address as may be specified by you in the Shares Acceptance Form and at your own risk), by way of a US\$ crossed cheque drawn on a bank for the appropriate amount.

If you are a Shareholder who holds Offer Shares but you do not receive the Shares Acceptance Form, you may obtain such Shares Acceptance Form upon production of satisfactory evidence that you are a Shareholder, from Yifan International Pharmaceutical Co., Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

3. OTHER RELEVANT INFORMATION IN RESPECT OF THE PROCEDURES FOR ACCEPTANCE

- 3.1 General.** If you hold both Shares in scrip form and CDIs, you are required to complete the Shares Acceptance Form in respect of the Shares in scrip form and the CDI Acceptance Forms in respect of the CDIs, if you wish to accept the Offer in respect of all such Shares. Both the Shares Acceptance Form and the CDI Acceptance Forms must be completed, signed and accompanied by the relevant documents and sent to the Offeror in accordance with the respective procedures for acceptance set out in **Paragraphs 1 and 2** of this **Appendix 2**.

If you wish to accept the Offer, it is your responsibility to ensure that the Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be, is properly completed and executed in all respects, submitted with original signature(s) and all required documents, where applicable, are provided. The Offeror, SAC Capital, the Shares Receiving Agent and/or the CDIs Receiving Agent will be entitled, at their sole and absolute discretion, to reject or accept any acceptance which does not comply with the provisions and instructions contained herein and in the Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be, or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality or invalid in any respect. Any decision to reject or accept any acceptance will be final and binding, and none of the Offeror, SAC Capital, the Shares Receiving Agent and/or the CDIs Receiving Agent accepts any responsibility or liability for the consequences of such a decision. The Offeror and SAC Capital each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document and in the Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be, or if made otherwise than in accordance with the provisions of this Offer Document and in the Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be.

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE

Acceptances in the form of the Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be, received by the Shares Receiving Agent and/or the CDIs Receiving Agent, for and on behalf of the Offeror, on a Saturday, Sunday or public holiday in Singapore (in the case of the Shares Receiving Agent) or Australia (in the case of the CDIs Receiving Agent) will only be processed and validated on the next business day.

Submission of the duly completed and signed original of the Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be, together with the relevant share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Offeror, to the Offeror through the Shares Receiving Agent and/or the CDIs Receiving Agent shall be conclusive evidence in favour of the Offeror, SAC Capital, the Shares Receiving Agent and/or the CDIs Receiving Agent of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.

- 3.2 Loss in Transmission.** The Offeror, SAC Capital, the Shares Receiving Agent and/or the CDIs Receiving Agent, as the case may be, shall not be liable for any loss in transmission of the Shares Acceptance Form and/or the CDI Acceptance Forms.
- 3.3 Acceptance Irrevocable.** Save as stated in **Paragraph 4.2 of Appendix 1** to this Offer Document, the acceptance of the Offer made by you using the Shares Acceptance Form and/or the CDI Acceptance Forms, as the case may be, shall be irrevocable.
- 3.4 Personal Data Privacy.** By completing and delivering a Shares Acceptance Form and/or the CDI Acceptance Forms, each person (i) consents to the collection, use and disclosure of his personal data by the CDIs Receiving Agent, the Shares Receiving Agent, the ASX, the Offeror, SAC Capital and the Company (collectively, the “**Specified Persons**”) for the purpose of facilitating his acceptance of the Offer, and in order for the Specified Persons to comply with any applicable laws, listing rules, regulations and/or guidelines, (ii) warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable law, and (iii) agrees that he will indemnify the Specified Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.

APPENDIX 3 – ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTOR

The name, address and designation of the Offeror Director as at the Latest Practicable Date are as follows:

Name	Address	Designation
Cheng Xianfeng (程先鋒)	c/o Unit 802, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong	Director

2. REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is at Unit 802, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

3. DATE OF INCORPORATION AND PRINCIPAL ACTIVITIES OF THE OFFEROR

The Offeror is a company incorporated in Hong Kong on 5 September 2014 and mainly focuses on the sale and distribution of pharmaceutical products, as well as providing high quality medicine and devices. The Offeror is a wholly-owned subsidiary of Yifan Pharmaceutical.

4. SHARE CAPITAL OF THE OFFEROR

As at the Latest Practicable Date, the Offeror has an issued share capital of US\$48,601,280, comprising 10,000 issued ordinary shares. The sole shareholder of the Offeror is Yifan Pharmaceutical.

5. SUMMARY OF FINANCIAL INFORMATION

The Offeror has not carried out any business in the period from 5 September 2014 (date of incorporation of the Offeror) to 31 December 2016. In addition, as the Offeror is a holding company that is a wholly owned subsidiary of another body corporate, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance, and is therefore not required to prepare consolidated financial statements. Accordingly, set out below is a summary of the financial information extracted from the audited financial statements of the Offeror for the financial period from 5 September 2014 to 31 December 2016 (“**FP2016**”) (being the first audited financial statements prepared by the Offeror since its incorporation) and FY2017, copies of which are available for inspection as mentioned in **Paragraph 4 of Appendix 6** to this Offer Document.

APPENDIX 3 – ADDITIONAL INFORMATION ON THE OFFEROR

5.1 Income Statements

	Audited FP2016 (US\$)	Audited FY2017 (US\$)
Revenue	-	951
Exceptional items	-	-
Net profit / (loss) before tax	(793)	(385,057)
Net profit / (loss) after tax	(793)	(385,057)
- Net profit / (loss) attributable to owners of the Offeror	(793)	(385,057)
- Non-controlling interests	-	-
Net earnings / (loss) per share (US\$)	(0.08)	(38.51)

As at the Latest Practicable Date, no dividends have been declared by the Offeror in respect of each of FP2016 and FY2017.

5.2 Statements of Assets and Liabilities

	Audited As at 31 December 2016 (Restated) (US\$)	Audited As at 31 December 2017 (US\$)
<u>ASSETS</u>		
Current assets		
Cash and bank balances	175	10,721,879
Amount due from an ultimate holding company	1,290	-
	<hr/> 1,465	<hr/> 10,721,879
Non-current assets		
Investment in a subsidiary	1,000,000	1,000,000
Deposit paid for acquisition of a subsidiary	-	10,300,000
	<hr/> 1,000,000	<hr/> 11,300,000
Total assets	<hr/> 1,001,465	<hr/> 22,021,879

APPENDIX 3 – ADDITIONAL INFORMATION ON THE OFFEROR

	Audited As at 31 December 2016 (Restated) (US\$)	Audited As at 31 December 2017 (US\$)
<u>LIABILITIES</u>		
Current liabilities		
Accrual expenses	155	10,711
Amount due to a director	813	-
Amount due to a subsidiary	1,000,000	1,785,000
Amount due to an ultimate holding company	-	20,598,910
Other payables	-	11,818
	<hr/>	<hr/>
	1,000,968	22,406,439
	<hr/>	<hr/>
Total liabilities	1,000,968	22,406,439
<u>OWNER'S EQUITY</u>		
Share capital	1,290	1,290
Accumulated losses	(793)	(385,850)
	<hr/>	<hr/>
Total owner's equity	497	(384,560)
	<hr/>	<hr/>

6. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in this Offer Document, the making of the Offer and any other information on the Offeror which is publicly available, there has been no known material changes in the financial position of the Offeror since 31 December 2017, being the date of the last audited accounts of the Offeror.

7. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Offeror as extracted from the audited financial statements of the Offeror for FY2017 are set out in **Appendix 7** to this Offer Document.

APPENDIX 3 – ADDITIONAL INFORMATION ON THE OFFEROR

8. CHANGES IN ACCOUNTING POLICIES

Save as disclosed above and in publicly available information on the Offeror, as at the Latest Practicable Date:

- (i) there are no significant accounting policies or any matter from the notes of the financial statements of the Offeror which are of any major relevance for the interpretation of the financial statements of the Offeror; and
- (ii) there are no changes in the accounting policies of the Offeror which will cause the financial information disclosed in this Offer Document to not be comparable to a material extent.

APPENDIX 4 – ADDITIONAL INFORMATION ON YIFAN PHARMACEUTICAL

1. DIRECTORS OF YIFAN PHARMACEUTICAL

The names, addresses and designations of the directors of Yifan Pharmaceutical as at the Latest Practicable Date are as follows:

Name	Address	Designation
Cheng Xianfeng (程先锋)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Chairman and Chief Supervisor
Ye Yiqun (叶依群)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Director
Zhou Benyu (周本余)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Director
Zhang Yingting (张颖霆)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Director
Feng Deqi (冯德崎)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Director and Board Secretary
Lin Hang (林行)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Director and Deputy General Manager
Liu Meijuan (刘梅娟)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Independent Director
Wang Zhao (汪钊)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Independent Director
Zhang Kejian (张克坚)	c/o Lin'an Economic Development Zone, Zhejiang Province, 311305	Independent Director

2. REGISTERED OFFICE OF YIFAN PHARMACEUTICAL

The registered office of Yifan Pharmaceutical is at Lin'an Economic Development Zone, Zhejiang Province, 311305.

3. DATE OF INCORPORATION AND PRINCIPAL ACTIVITIES OF YIFAN PHARMACEUTICAL

Yifan Pharmaceutical is a company incorporated in the People's Republic of China on 10 November 2000 and listed on the Shenzhen Stock Exchange. Yifan Pharmaceutical focuses on the development and manufacturing of pharmaceutical products.

4. SHARE CAPITAL OF YIFAN PHARMACEUTICAL

As at the Latest Practicable Date, Yifan Pharmaceutical has an issued share capital of RMB1,206,974,577, comprising 1,206,974,577 issued ordinary shares.

5. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the financial information extracted from the audited consolidated financial statements of the Yifan Pharmaceutical Group for FY2015, FY2016 and FY2017, and the unaudited consolidated financial statements of the Yifan Pharmaceutical Group for 1Q2018.

APPENDIX 4 – ADDITIONAL INFORMATION ON YIFAN PHARMACEUTICAL

The summary is extracted from, and should be read in conjunction with the audited consolidated financial statements of the Yifan Pharmaceutical Group for FY2015, FY2016 and FY2017 and the unaudited consolidated financial statements of the Yifan Pharmaceutical Group for 1Q2018 (as the case may be), and related notes thereto, which are available at the website of the Shenzhen Stock Exchange at http://disclosure.szse.cn/m/drgg_search.htm?secode=002019.

5.1 Income Statements

	Audited FY2015 (RMB' million)	Audited FY2016 (RMB' million)	Audited FY2017 (RMB' million)	Unaudited 1Q2018 (RMB' million)
Revenue	2,434.9	3,504.6	4,373.3	1,252.8
Exceptional items	-	-	-	-
Net profit before tax	444.3	894.6	1,530.2	392.4
Net profit after tax	362.0	683.4	1,265.7	315.3
- Net profit attributable to owners of Yifan Pharmaceutical	360.6	704.8	1,305.1	325.2
- Non-controlling interests	1.4	(21.4)	(39.4)	(9.9)
Net earnings per share (RMB)	0.82 ⁽¹⁾	0.64	1.15	0.27
Dividends per share (RMB)	0.2 ⁽¹⁾	0.1	0.1	-

Note:

- (1) Based on the issued share capital of 440,319,243 shares as at 31 December 2015, prior to the issue of 660,478,864 shares pursuant to a bonus issue to shareholders of Yifan Pharmaceutical on the basis of 15 bonus shares for every 10 existing shares held by shareholders of Yifan Pharmaceutical, which was approved at Yifan Pharmaceutical's annual shareholders' meeting for FY2015.

5.2 Statements of Assets and Liabilities

	Audited As at 31 December 2017 (RMB' million)	Unaudited As at 31 March 2018 (RMB' million)
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	1,308.9	1,844.8
Notes receivables	55.8	69.5
Accounts receivables	887.8	834.4
Prepayments	135.2	78.4
Other accounts receivables	123.5	149.5
Inventories	392.2	389.9
Other current assets	750.4	388.8
	3,653.7	3,755.3

APPENDIX 4 – ADDITIONAL INFORMATION ON YIFAN PHARMACEUTICAL

	Audited As at 31 December 2017 (RMB' million)	Unaudited As at 31 March 2018 (RMB' million)
Non-current assets		
Long-term equity investment	50.2	48.7
Real estate investment	26.2	25.9
Fixed assets	836.2	818.9
Construction in progress	49.0	64.4
Engineering materials	2.5	2.8
Intangible assets	315.0	310.9
Development expenditure	1,151.6	1,217.3
Goodwill	2,413.3	2,538.0
Long-term unamortised expense	41.6	84.3
Deferred income tax assets	83.4	85.1
Other non-current assets	145.0	134.8
	5,114.0	5,331.1
Total assets	8,767.7	9,086.4
<u>LIABILITIES</u>		
Current liabilities		
Short-term borrowings	754.1	791.9
Notes payable	31.3	18.0
Account payable	219.9	189.8
Advance receipts	64.2	73.4
Wages payable	59.4	43.3
Tax payable	146.7	166.3
Interests payable	2.0	2.1
Other accounts payable	124.5	117.8
Non-current liabilities due within one year	184.5	184.5
	1,586.6	1,587.1
Non-current liabilities		
Long-term borrowings	124.0	124.0
Long-term accounts payable	60.6	60.6
Deferred income	23.9	24.8
Deferred income tax liabilities	190.3	190.0
	398.8	399.4
Total liabilities	1,985.4	1,986.5
<u>OWNER'S EQUITY</u>		
Share capital	1,027.3	1,027.3
Capital reserve	2,803.4	2,803.4
Other comprehensive income	(0.1)	0.0
Special reserves	15.5	17.8
Surplus reserves	126.1	126.1
Undistributed profit	2,496.3	2,821.5
Total owner's equity attributable to parent company	6,468.5	6,796.1
Minority equity	313.8	303.8
Total owner's Equity	6,782.3	7,099.9
Total liabilities and owner's equity	8,767.7	9,086.4

6. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in this Offer Document and save for (i) information on Yifan Pharmaceutical that is publicly available (including, without limitation, the announcements released by Yifan Pharmaceutical on the Shenzhen Stock Exchange) and (ii) the making of the Offer, there has been no known material change in the financial position of the Yifan Pharmaceutical Group since 31 December 2017, being the date of the last audited consolidated financial statements of the Yifan Pharmaceutical Group.

7. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of Yifan Pharmaceutical as extracted and translated from the audited consolidated financial statements of the Yifan Pharmaceutical Group for FY2017 (a copy which is available at the website of the Shenzhen Stock Exchange at http://disclosure.szse.cn/m/drgg_search.htm?secode=002019) are set out in **Appendix 8** to this Offer Document.

8. CHANGES IN ACCOUNTING POLICIES

Save as disclosed above and in publicly available information on Yifan Pharmaceutical, as at the Latest Practicable Date:

- (i) there are no significant accounting policies or any matter from the notes of the financial statements of the Yifan Pharmaceutical Group which are of any major relevance for the interpretation of the financial statements of the Yifan Pharmaceutical Group; and
- (ii) there are no changes in the accounting policies of Yifan Pharmaceutical which will cause the financial information disclosed in this Offer Document to not be comparable to a material extent.

APPENDIX 5 – ADDITIONAL INFORMATION ON THE COMPANY

1. DIRECTORS OF THE COMPANY

The names, addresses and designations of the directors of the Company as at the Latest Practicable Date are as follows:

Name	Address	Designation
Marek Dziki	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Executive Director, Chairman and Chief Executive Officer
Adam Tomasz Polonek	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Executive Director and Chief Financial Officer
Lim Lean Guat	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Executive Director and Group Financial Controller
Kenneth Gross	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Non-executive Director
Ju Bo Liu	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Non-executive Director
Vaidyanathan Viswanath	c/o 152 Beach Road #26-07/08 Gateway East Singapore 189721	Non-executive Director

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 152 Beach Road, #26-07/08, Gateway East, Singapore 189721.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, based on the latest information available to the Offeror, the Company has an issued and fully paid-up share capital of US\$42,530,137, comprising 552,270,320 Shares with no treasury shares. The Offeror is not aware of any outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights in the Company.

4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, (i) save as disclosed in this Offer Document and (ii) save as disclosed in the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 and any other information on the Company which is publicly available (including, without limitation, the announcements released by the Company on the ASX), there has not been, within the knowledge of the Offeror or Yifan Pharmaceutical, any material change in the financial position or prospects of the Company since 31 December 2017, being the date of the last published audited financial statements of the Company laid before Shareholders in a general meeting.

APPENDIX 6 – ADDITIONAL GENERAL INFORMATION

1. DISCLOSURE OF INTERESTS

1.1 Holdings in Company Securities

As at the Latest Practicable Date and based on the latest information available to the Offeror, save as disclosed below, none of the Relevant Parties owns, controls or has agreed to acquire any Company Securities:

Name	Direct Interest		No. of Shares		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Bioton	527,786,735 ⁽²⁾	95.57	-	-	527,786,735	95.57

Notes:

- (1) Calculated based on 552,270,320 Shares (excluding treasury shares) and rounded to the nearest two (2) decimal places.
- (2) As at the Latest Practicable Date, Bioton is the beneficial owner of 527,786,735 CDIs, representing a beneficial interest in approximately 95.57 per cent. of the total number of Shares. As set out in **Paragraph 4** of the Letter to Shareholders in this Offer Document, Bioton will, pursuant to the Irrevocable Undertaking, tender all the Relevant Shares in acceptance of the Offer.

1.2 Dealings in Company Securities. As at the Latest Practicable Date and based on the latest information available to the Offeror, none of the Relevant Parties has dealt for value in the Company Securities during the period commencing three months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

1.3 Irrevocable Undertaking. As at the Latest Practicable Date and based on the latest information available to the Offeror, save for the Irrevocable Undertaking, none of the Offeror and parties acting in concert with the Offeror has received any irrevocable commitment to accept or reject the Offer in respect of any Company Securities.

1.4 Indemnity Arrangements. As at the Latest Practicable Date and based on the latest information available to the Offeror, save for the ABO Agreement and the Irrevocable Undertaking, none of the Offeror and parties acting in concert with the Offeror has entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements and any arrangement or understanding, formal or informal, of whatever nature, relating to the Company Securities, which may be an inducement to deal or refrain from dealing in the Company Securities.

1.5 Agreements having any Connection with or Dependence on the Offer. As at the Latest Practicable Date and based on the latest information available to the Offeror, save for the ABO Agreement and the Irrevocable Undertaking, there is no agreement, arrangement or understanding between (i) the Offeror or any of the parties acting in concert with the Offeror and (ii) any of the current or recent directors of the Company or the current or recent Shareholders or any other person having any connection with or dependence upon the Offer.

APPENDIX 6 – ADDITIONAL GENERAL INFORMATION

- 1.6 Encumbrances.** As at the Latest Practicable Date and based on the latest information available to the Offeror, none of the Offeror or any person acting in concert with the Offeror has, in respect of any Company Securities, (i) granted any security interest over any Company Securities to another person, whether through a charge, pledge or otherwise; (ii) borrowed from another person any Company Securities (excluding borrowed securities which have been on-lent or sold); or (iii) lent to another person any Company Securities.
- 1.7 Transfer of Offer Shares.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any of the Offer Shares acquired pursuant to the Offer will or may be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to any of its related corporations or for the purpose of granting security in favour of financial institutions which have extended or shall extend credit facilities to it.
- 1.8 Transfer Restrictions.** The constitution of the Company does not contain any restrictions on the right to transfer any of the Offer Shares, which has the effect of requiring holders of the Offer Shares, before transferring them, to first offer them for purchase to Shareholders or to any other person.
- 1.9 No Payment or Benefit to Directors of the Company.** As at the Latest Practicable Date, there is no payment or other benefit which will be made or given to any director of the Company or to any director of any corporation which is, by Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer.
- 1.10 No Agreement Conditional upon Outcome of Offer.** As at the Latest Practicable Date, save for the ABO Agreement and the Irrevocable Undertaking, there is no agreement, arrangement or understanding between (i) the Offeror and (ii) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or otherwise in connection with the Offer.
- 1.11 No Material Change.** Save as disclosed in this Offer Document, as far as the Offeror is aware, there has been no material change in any information previously published by or on behalf of the Offeror during the period commencing from the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

2. GENERAL

- 2.1 Costs and Expenses.** All costs and expenses of or incidental to the Offer, including the preparation and circulation of this Offer Document, the Acceptance Forms (other than professional fees and other costs relating to the Offer incurred or to be incurred by the Company (save where the Offeror has otherwise agreed in writing with the Company to bear the same) and fees incurred by Overseas Shareholders in accepting the Offer) and stamp duty and transfer fees resulting from acceptances of the Offer, will be paid by the Offeror.
- 2.2 Consent.** (i) SAC Capital, (ii) Computershare Investor Services Pty Limited and (iii) B.A.C.S. Private Limited have each given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of their names and all references thereto, in the form and context in which they appear in this Offer Document.

APPENDIX 6 – ADDITIONAL GENERAL INFORMATION

3. MARKET QUOTATIONS

- 3.1 Closing Prices.** The following table sets out the closing prices of the CDIs on the ASX, as reported by Bloomberg L.P., on (i) the Latest Practicable Date; (ii) 14 May 2018 (being the Last Market Day immediately preceding the Pre-Conditional Announcement Date on which the CDIs were last traded on the ASX) and (iii) on the last Market Day (on which there were trades in respect of the CDIs) of each of the six calendar months preceding the Pre-Conditional Offer Announcement Date:

Date	Closing Price (A\$)
4 July 2018 (the Latest Practicable Date)	0.066
14 May 2018	0.024 ⁽¹⁾
27 April 2018	0.024
March 2018	– ⁽²⁾
26 February 2018	0.022
18 January 2018	0.027
11 December 2017	0.030
28 November 2017	0.028

Source: Bloomberg L.P.

Notes:

- (1) This refers to the closing price on 7 May 2018, being the last Market Day on which the CDIs were traded prior and up to the Last Market Day.
- (2) There were no CDIs traded on the ASX for the month of March 2018.

- 3.2 Highest and Lowest Closing Prices.** During the period commencing six calendar months preceding the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date:

3.2.1 the highest closing price of the CDIs on the ASX, as reported by Bloomberg L.P., was A\$0.066, which was transacted on 4 July 2018; and

3.2.2 the lowest closing price of the CDIs on the ASX, as reported by Bloomberg L.P., was A\$0.021, which was transacted on 6 February 2018 and 15 February 2018.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the offices of SAC Capital Private Limited at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, during normal business hours during the Offer Period:

- (i) the Pre-Conditional Offer Announcement;
- (ii) the Offer Announcement;
- (iii) the Irrevocable Undertaking;
- (iv) the audited financial statements of the Offeror for FP2016 and FY2017; and
- (v) the letters of consent from SAC Capital, the CDIs Receiving Agent and the Shares Receiving Agent referred to in **Paragraph 2.2** of this **Appendix 6**.

APPENDIX 7 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

The significant accounting policies of the Offeror have been extracted from its audited financial statements for FY2017 and are set out below. For the purpose of this **Appendix 7**, all references to “Company” shall refer to the Offeror.

(2) BASIS OF PREPARATION

(a) Statement of compliance

These financial statements comply with all applicable sections of HKFRS for PE and have been prepared under the accrual basis of accounting and on the basis that the Company is a going concern.

As the Company is holding company that is a wholly owned subsidiary of another body corporate, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance, and is therefore not required to prepare consolidated financial statements.

(b) Critical accounting judgments and key sources of estimation uncertainty

Impairment of assets

The impairment of assets is based on the Directors’ best estimate to the expected recoverable amounts of the assets that would be determined by reference to fair value less costs to sell and value in use estimated using the discounted cash flow method. Because of inherent risks associated with the estimations, their accuracy may affect profit or loss.

Deferred tax assets

Deferred tax assets in respect of unused tax losses carried forward are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In determining the carrying amount of deferred tax assets, expected future taxable profits are estimated by reference to a number of assumptions relating to the operating environment of the Company. It also requires significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the result in future years.

Going concern

The Company has incurred loss for years. At the end of reporting period, the current liabilities of the Company exceeded its total assets and the Company sustained substantial capital deficiency. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. In preparing these financial statements, the Directors have given careful consideration to the current and future liquidity of the Company. The Directors have gained the commitment of the Company’s shareholders to provide continued financial support to the Company. On the basis that continued financial support will be provided by the Company’s shareholders to the Company upon request, the Directors are of their opinion that the Company will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare these financial statements on a going concern basis.

APPENDIX 7 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

(c) **Basis of measurement**

The measurement bases used in preparing these financial statements are set out in note 3 to financial statements.

(d) **Transition to the HKFRS for Private Entities**

The Company's financial statements for the year ended 31st December, 2017 are its first annual financial statements prepared under accounting policies that comply with the HKFRS for private entities. The Company applied the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) to prepare its financial statements prior to the application of the HKFRS for Private Entities.

The Company's date of transition is 5th September, 2014 and the Company prepared its opening statement of financial position in compliance with the HKFRS for Private Entities at that date. The transition from SME-FRS to HKFRS for private entities has changed the presentation of the financial statements and the following accounting policy.

Changes in the presentation of financial statements

Under the HKFRS for private entities, a complete set of financial statements shall present statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes to financial statements. The disclosures and presentation of the statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes to financial statements have been presented in accordance with Hong Kong Companies and HKFRS for private entities.

Changes in accounting policy

Under the SME-FRS, deferred tax is not recognised. To comply with HKFRS for private entities, deferred tax assets/liabilities are recognised if any. No deferred tax assets/liabilities are recognised at the date of transition since there is no material temporary differences.

The reconciliation statements for the equity of the Company at the date of transition and at 31st December, 2016 as required by paragraph 35.13(b) of HKFRS for private entities are presented as follow:

	<u>31.12.2016</u>	<u>5.9.2014</u>
	US\$	US\$
Total equity as measured in accordance with SME-FRS	497	--
	-----	-----
Total equity as measured in accordance with HKFRS for private entities	497	--
	=====	=====

APPENDIX 7 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

The reconciliation statements for the profit or loss of the Company for the period from 5th September, 2014 to 31st December, 2016 as required by paragraph 35.13(c) of HKFRS for private entities are presented as follow:

	5.9.2014
	To
	<u>31.12.2016</u>
	US\$
Loss for the period as measured in accordance with SME-FRS	793

Loss for the period as measured in accordance with HKFRS for private entities	793
	=====

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present financial information of the Company. The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements.

(a) Consolidated financial statements

No consolidated financial statements have been prepared to incorporate the assets, liabilities and results of the subsidiaries of the Company as the director of the Company considers that it would involve expenses and delay out of proportion to the value to the member of the Company.

(b) Revenue recognition

Revenue is recognised as income when it is probable that the economic benefits associated with transaction will flow to the Company and when the amount of revenue as well as costs incurred for the transaction can be measured reliably. Revenue is measured at fair value of the consideration received or receivable and is shown net of discounts, rebates, returns and sales-related taxes on the following bases.

Interest income is recognised using the effective interest method on a time proportion basis taking into account the principal outstanding and the interest applicable.

(c) Foreign currency translation

The functional currency of the Company is United states Dollar. Foreign currency transactions are translated into the functional currency at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of reporting year are translated at the approximate rates of exchange ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at that date when the fair value was determined. Exchange differences arising on the settlement or translation of foreign currency monetary items are recognised in profit or loss. However, exchange differences relating to a gain or loss on a non-monetary item that is recognised in other comprehensive income is recognised in other comprehensive income too.

APPENDIX 7 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

(d) Taxation

Income tax comprises current tax and deferred tax.

Current tax is measured based on estimated taxable profit for the year.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases using in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of an asset or liability in a transaction that affects neither accounting profit nor taxable profit or tax loss. The measurement of deferred tax liabilities associated with an investment property measured at fair value and property, plant and equipment measured at revalued amount shall not exceed the amount of tax that would be payable on its sales to an unrelated market participant at fair value at the end of reporting year. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that is probable that taxable profit will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of an asset and liability in a transaction that affects neither the accounting profit nor the taxable profit or tax loss.

The unrecognised deferred tax assets are reviewed at the end of each reporting year and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Current and deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

(e) Subsidiary

Subsidiaries are those entities, including unincorporated entity such as partnership, that is controlled by the Company. For the purpose of these financial statements, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from the activities. Subsidiaries are measured at initial recognition at transaction price (including transaction costs) and subsequently measured at cost less accumulated impairment losses. Dividends and other distributions received from the subsidiaries are recognised in profit or loss when the Company's right to receive payment has been established.

(f) Components of 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 Group's cash management are also included as a component of cash and cash equivalents for the statement of cash flows.

APPENDIX 7 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

(g) Trade and other payables

Trade and other payables are measured at initial recognition at the transaction price (including transaction costs) and subsequently measured at amortised cost using the effective interest method.

(h) Trade and other receivables

Trade and other receivables are measured at initial recognition at transaction price (including transaction costs) and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(i) Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (I). A person or a close member of that person's family is related to the Company if that person:
 - (i) is a member of the key management personnel of the Company or of a parent of the Company;
 - (ii) has control over the Company; or
 - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

- (II). An entity is related to the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of a third entity.
 - (iv) either 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 Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
 - (vi) the entity is controlled or jointly controlled by a person identified in (I).
 - (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 an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:

- (i) the individual's spouse and children;
- (ii) children of the individual's spouse; and
- (iii) dependants of the individual or the individual's spouse.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

The significant accounting policies of Yifan Pharmaceutical have been extracted and translated from its audited consolidated financial statements for FY2017 and are set out below. For the purpose of this **Appendix 8**, all references to “Company” and “Group” shall refer to Yifan Pharmaceutical and the Yifan Pharmaceutical Group, as the case may be.

D. Basis for Preparation of Financial Statements

1. Basis for preparation

The Company’s financial statements have been prepared assuming the Group and the Company will continue as a going-concern, based on actual transactions and matters that took place, and in accordance with the “Accounting Standards for Business Company – Basic Standard” and specific accounting standards promulgated by the Ministry of Finance, the application guides on accounting standards for companies, the interpretation of the accounting standards for companies, and other relevant regulations issued thereafter (hereinafter collectively referred to as the “Accounting Standards for Companies”), and the provisions disclosed in the “Disclosure of corporate information disclosure rules No.15 – general provisions on financial reporting” (revised in 2014) promulgated by China Securities Regulatory Commission.

2. Going-concern

The Company has the capacity to operate as a going-concern for 12 months subsequent to the end of the reporting period without the occurrence of any significant matter affecting the going-concern capacity.

E. Significant accounting policies and accounting estimates

Is the Company required to comply with the disclosure requirements for special industry: No.

Specific prompts of accounting policies and accounting estimates: No.

1. Declaration on compliance with accounting standards for business company

The financial statements prepared by the Company shall comply with the requirements of the accounting standards for business company and reflect the financial position, the operating results and cash flow and other relevant information of the Company within the reporting period.

2. Fiscal period

The calendar year is used as the fiscal year of the Company, i.e. starting from calendar January 1 and ending at December 31.

3. Operating cycle

The Company adopts 12 months as the normal operating cycle.

4. Functional currency

RMB is used as the functional currency.

5. Accounting treatment methods for business combinations involving entities under the same control and not under the same control

Business combinations involving entities under the same control: the assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount of the combined party’s assets and liabilities (including the goodwill arising from the merger of the combined party by the final controller) in the consolidated financial statements of the final controller on the combining date. As for the difference between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the share premium in the capital reserve shall be adjusted. If the share premium in the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

Business combinations not under the same control: the Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by a company for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period. The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill; if, after the reexamination, the combination costs are less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

For the intermediary fee and other relevant direct expenses such as the expenses for audit, legal services, and assessment and consultation for the business combination shall be recorded into the profits and losses in the current period; the trading expenses for the equity securities or debt securities issued for the business combination shall write down the equity.

6. Methods for preparing consolidated financial statements

1. Scope of consolidation

The scope of consolidated financial statements is determined based on control, and all subsidiaries (including the separable part of the invested entities under the control of the Company) are included in the consolidated financial statements.

2. Consolidation process

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant materials. When preparing the consolidated financial statements, the Company will regard the Group as one accounting entity, and on the basis of the recognition, measurement and presentation requirements of the relevant accounting standards for companies, in line with the Group accounting policies, reflect the overall financial position, operating results and cash flows of our Group.

The accounting policy and fiscal period of all the subsidiaries included in the consolidation scope of the consolidated financial statements shall be kept consistent with those of the Company. The subsidiaries with accounting policy and fiscal period that are different from those of the Company, shall be adjusted as necessary according to those of the Company when preparing the financial statements. As for the subsidiaries acquired from the business combination not under the same control, the financial statements should be adjusted based on the fair value of the identifiable net assets on the purchase date. As for the subsidiaries acquired from the business combination under the same control, the corresponding adjustment should be made on the financial statements on the basis of the book value of its assets and liabilities (including the goodwill arising from the merger of such subsidiary by the final controller) in the financial statements of the final controller.

The share of the owner's equity, current net profit and loss, and current comprehensive income of the subsidiary company belonging to the minority shareholders shall be separately presented under the items of the owner's equity in the consolidated balance sheet, the item of net profit in the consolidated income statement, and the item of total comprehensive income in the consolidated income statement respectively. If the minority shareholders' share of deficit of current period exceeds the minority shareholders' share of the owner's equity, the balance shall offset against the minority shareholder's equity.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

- (1) During the reporting period, if a subsidiary or business is added due to a business combination under the same control, the Company shall adjust the beginning balance of the consolidated balance sheet to include the income, expenses, and profits of the subsidiary or business from the beginning of the reporting period in which the business combination took place to the end of the reporting period into the consolidated income statement, and include the cash flow of the subsidiary or business from the beginning of the reporting period in which the business combination took place to the end of the reporting period into the consolidated cash flow statement, while adjusting the relevant items in the comparative statement, and the reporting entity after the combination shall be deemed as existing from the time control was acquired by the final controller.

If control over the invested entity under the same control is acquired for reasons such as additional investment, the parties involved in the combination shall be regarded as existing in the current situation and adjusted as such when the final controller acquires control. The relevant profit and loss, the other comprehensive income, and other changes in net assets which have been recognized from the date on which the original equity is acquired or the date on which the combining party and the combined party come under the same control (whichever is later) to the date of combination, shall offset against the retained earnings at the beginning of the period or the current profit and loss within the period of the comparative statement respectively.

During the reporting period, if a subsidiary or business is added due to the business combination not under the same control, the opening balance of the consolidated balance sheet shall not be adjusted; the income, expenses, and profits of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement, and the cash flow of the subsidiary or business from the beginning of the current period to the end of the reporting period shall be included in the consolidated cash flow statement.

If control over the invested entity not under the same control is acquired for reasons such as additional investment, the invested entity's equity held before the acquisition date shall be re-measured by the Company at the fair value of such equity on the acquisition date, and the balance between the fair value and the book value shall be recorded as investment income in the current period. Where the invested entity's equity held before the acquisition date involves the other comprehensive income calculated by the equity method as well as the other changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution, the other comprehensive income, and other changes in the owner's equity in relation thereto shall be carried into the investment income of the current period in which acquisition date falls, except for the other comprehensive income arising from the re-measurement of the changes in net liabilities or net assets of the defined benefit plan by the invested entity.

- (2) Disposal of subsidiary or business

① General disposal method

Within the period of reporting, if the Company disposes of a subsidiary or business, the income, expenses, and profits of the subsidiary or business from the beginning of the period to the disposal date shall be included into the consolidated income statement, and the cash flow of the subsidiary or business from the beginning of the period to the disposal date shall be included into the consolidated cash flow statement.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

If the control of the invested entity is lost due to the disposal of part of the equity investment or for any other reason, the Company shall re-measure the residual equity investment after the disposal at the fair value thereof on the date on which the control is lost. The difference between the consideration from the disposal of the equity and the fair value of the residual equity, minus the difference between the share in the net assets of the original subsidiary calculated continuously since the acquisition date or combination date calculated on the basis of the original shareholding ratio and the goodwill shall be recorded into the investment income of the current period in which the control is lost. The other comprehensive income in relation to the equity investment of the original subsidiary, or the other changes in the owner's equity other than the net profit and loss, other comprehensive income, and profit distribution shall be carried into the investment income of the current period when the control is lost, except for the other comprehensive incomes arising from the re-measurement of the changes in net liabilities or net assets of the defined benefit plan by the invested entity.

② Disposal of subsidiary in stages

In case of the disposal of the equity investment of the subsidiary by two or more transactions until the loss of the control, the conformance of the terms, conditions, and economic effects of the transactions for disposal of the investment in subsidiary equity to one or more of the following situations generally indicates that such two or more transactions shall be considered as the package deal for accounting treatment:

- i. Such transactions are entered into simultaneously or in consideration of mutual influence;
- ii. Only by taking such transactions as a whole then can a complete business outcome be achieved;
- iii. The occurrence of one transaction depends on the occurrence of at least the other one transaction;
- iv. A transaction is not economical on its own, but it is economical when considered in conjunction with other transactions.

Where the transactions for the disposal of investment in subsidiary equity until control is lost are considered a package deal, the Company shall consider such transactions as a transaction for disposal of the subsidiary and loss of control for accounting treatment; however, the balance between the consideration of each disposal prior to the loss of control and the share in net assets of such subsidiary shall be recognized as the other comprehensive income in the consolidated financial statements, and carried into the profit and loss of the current period in which the control is lost together upon the loss of the control.

Where the transactions for the disposal of the investment in subsidiary equity control is lost are not considered a package deal, prior to the loss of control, the accounting treatment shall be conducted according to the relevant policy for partial disposal of the investment in subsidiary equity without loss of control; upon the loss of control, the accounting treatment shall be conducted by the general disposal method for disposal of the subsidiary.

(3) Purchase of minority equity of subsidiary

For the difference between the new long-term equity investment acquired by the Company due to the purchase of minority equity and the share of net assets of the subsidiary calculated continuously since the purchase date (or combination date) on the basis of the new shareholding ratio, the capital stock premium in the capital reserve in the balance sheet shall be adjusted and consolidated; if the capital stock premium in the capital reserve is insufficient for offset, the retained earnings shall be adjusted.

(4) Partial disposal of investment in subsidiary equity without loss of control

For the difference between the consideration from the partial disposal of the long-term equity investment in the subsidiary without loss of control and the share in net assets of the subsidiary calculated continuously since the purchase date or combination date on the basis of the new shareholding ratio, the capital stock premium in the capital reserve in the balance sheet shall be adjusted and consolidated; if the capital stock premium in the capital reserve is insufficient for offset, the retained earnings shall be adjusted.

7. Classification of joint venture arrangement and accounting treatment method for joint operation

No.

8. Recognition standards for cash and cash equivalents

When preparing the cash flow statement, the Company's cash on hand and deposits that are available for payment at any time shall be recognized as cash. The short-term (mature within three months since the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value shall be recognized as the cash equivalents.

9. Foreign currency transaction and translation of foreign currency statements

a) Foreign currency transaction

The amount in the foreign currency shall be translated into the amount in RMB at the spot exchange rate on the transaction date.

On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising therefrom shall be recorded into the profits and losses in the current period, except for the balance of exchange arising from foreign currency borrowings for the purchase and construction of qualified assets, which shall be treated on the principle of borrowing cost capitalization; the foreign currency non-monetary items measured at the historical cost shall still be translated at the amount of the functional currency translated at the spot exchange rate on the transaction date without the change of the amount in functional currency. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the date the fair value is determined, and the balance of exchange arising therefrom shall be recorded into the profit and loss of the current period or the capital reserves.

b) Translation of foreign currency statements

The asset and liability items in the balance sheet shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The balance arising from the translation of foreign currency financial statements shall be presented separately under the item of owner's equity in the balance sheet.

When disposing an overseas business, the Company shall shift the items presented under owner's equities in the balance sheet and translation differences arising from the translation of foreign currency financial statements related to such overseas business, to the disposal profits and losses of the current period. If the overseas business is disposed of partially, the Company shall calculate the balance arising from the translation of foreign currency statements of the partial disposal based on the share disposed and shift them into the profits and losses of the current period.

10. Financial instruments

The financial instruments include the financial assets, financial liabilities, and equity instruments.

a) Classification of financial instruments

Financial assets and financial liabilities are classified on initial recognition as: financial assets or financial liabilities measured at fair value through profit or loss in the current period, including held for trading financial assets or financial liabilities, and the financial assets or financial liabilities designated to be measured at fair value through profit or loss in the current period; investments which will be held to their maturity; loans and the account receivables; available for sale financial assets; and other financial liabilities.

b) Recognition basis and measurement method for financial instruments

(1) Financial assets (financial liabilities) which are measured at fair value through profit or loss in the current period

At the time of acquisition, the fair value (after deducting cash dividends that have been declared but not distributed or bond interest matured but not obtained) shall be used as the initially recognized amount, and the relevant transaction expense shall be recorded into the profit and loss of the current period.

The interest or cash dividend derived within the holding period shall be recognized as the investment income, and the change in fair value shall be recorded into the profit and loss of the current period at the end of the period.

Upon disposal, the difference between its fair value and the initially recorded amount shall be recognized as investment income, while adjusting the profit and loss arising from fair value changes.

(2) Investments which will be held to their maturity

At the time of acquisition, the sum of the fair value (after deducting the bond interest matured for payment but not obtained) and the relevant transaction expenses shall be used as the initially recognized amount. The interest income during the holding period shall be calculated and recognized according to the amortized cost and the actual interest rate and recorded into the investment income. The actual interest rate is determined at the time of acquisition and shall remain unchanged within such expected period or applicable shorter period.

Upon disposal, the balance between the price obtained and the book value of such investment shall be recorded as investment income.

(3) The loans and the account receivables

For receivables formed by the sales of goods or provision of labor, as well as debt receivables of the other enterprises held by the Company excluding the quoted debt instruments in active markets, and including accounts receivable and other receivables, the contractual or agreement price of receivable from the purchaser shall be used as the initially recognized amount; those of a financing nature shall be initially recognized at their present value.

Upon the recovery or disposal of, the balance between the price obtained and the book value of such account receivable shall be recorded into the profit and loss of the current period.

(4) Financial assets available for sale

At the time of acquisition, the sum of the fair value (after deducting the declared but not distributed cash dividend or the bond interest matured but not obtained) and the relevant transaction expenses shall be used as the initially recognized amount when obtaining.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

Within the holding period, the interest or cash dividend obtained shall be recognized as investment income. The financial assets available for sale are remeasured at fair value at the end of the period and the change in the fair value shall be recorded into the other comprehensive income. However, the equity instruments that are not quoted in an active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with such equity instrument that must be settled by delivering the said equity instrument, shall be measured on the basis of their costs.

Upon disposal, the balance between the price obtained and the book value of such financial asset shall be recorded into the gain or loss on investment; at the same time, a portion of the cumulative change in fair value originally recorded in the other comprehensive income that corresponds to the portion disposed shall be transferred and recorded into the profit and loss of the current period.

(5) Other financial liabilities

The sum of its fair value and the relevant transaction expenses shall be used as the initially recognized amount. The amortized cost shall be used for the follow-up measurement.

c) Recognition basis and measurement method for financial asset transfers

When the Company transfers a financial asset, if nearly all of the risks and rewards related to the ownership of the financial asset is transferred to the transferee, the Company should derecognize the financial assets; if nearly all of the risks and rewards related to the ownership of the financial asset are retained, the Company should continue to recognize the transferred financial assets.

When judging whether the transfer of the financial asset meets the above de-recognition conditions for financial assets, the principle of substance over form shall be adopted. The Company shall differentiate the transfer of a financial asset into the entire transfer and the partial transfer of financial assets. For entire transfer of financial asset that satisfies the conditions for de-recognition, and the difference between the amounts of the following two items shall be recorded in the profit and loss of the current period:

- (1) The book value of the transferred financial asset;
- (2) The sum of consideration received from the transfer, and the cumulative amount of the changes in the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

For partial transfer of financial asset that satisfies the conditions for de-recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profit and loss of the current period:

- (1) The book value of the portion whose recognition has been stopped;
- (2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the cumulative amount of the changes in the fair value originally recorded in the owner's equities which corresponds to the portion whose recognition has been stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of the financial asset does not satisfy the conditions for de-recognition, such financial asset shall continue to be recognized, and the consideration so obtained shall be recognized as a financial liability.

d) Conditions for recognition termination of financial assets

When the prevailing obligations of a financial liability are relieved in all or in part, the recognition of the financial liability shall be terminated in all or partly. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with a new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability and shall at the same time recognize the new financial liability.

Where the Company makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall terminate the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company shall include into the profit and loss of the current period the difference between the carrying amount which has been terminated from recognition and the considerations paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

Where the Company buys back part of its financial liabilities, it shall allocate, on the repo day, the carrying amount of the whole financial liabilities according to the respective relative fair values of the part that continues to be recognized and the part whose recognition has already been terminated. The difference between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profit and loss of the current period.

e) Recognition method of the fair value of the financial assets and financial liabilities

For financial instruments quoted on an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the Company shall adopt value appraisal techniques to determine its fair value. When appraising the value, the Company adopts the appraisal technique which is applicable in the current situation and supported by sufficient available data and other information, selects the input values consistent with the characteristics of assets or liabilities which the market participants consider in the transactions of the relevant assets or liabilities, and prioritizes the use of relevant observable input values. Unobservable input values are used only if relevant observable input values cannot be obtained or cannot be obtained practicably.

f) Test method and accounting treatment method for impairment of financial assets (Not including accounts receivable)

The Company shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

11. Accounts receivable

(1) Individually significant account receivable and for which the provision for bad debts is made separately

Basis of judgment or standard for individually significant amount	Account receivables that account for more than 10% of the book balance of total accounts receivable are individually significant receivables.
Provision method for individually significant account receivable and for which provision for bad debts is made separately	An impairment test shall be made on the individually significant account receivable. If any objective evidence shows that it has been impaired, the provision for bad debts shall be made based on the difference by which the present value of the future cash flow is lower than its book value. If the impairment test on the individually significant account receivable does not show the impairment thereof, the provision for bad debts shall be made on the combination.

(2) Account receivable for which the provision for bad debts is made according to combination of credit risk characteristics

Name of combination	Method for provision for bad debts
Combination of aging	Aging analysis method
Combination of letter of credit	Other methods

In the combinations, those for which the provision for bad debts is made by the aging analysis method:

Applicable Not applicable

Aging	Share of provisioning for accounts receivable	Share of provisioning for other receivables
Less than 1 year (Including 1 year)	5.00%	5.00%
1 - 2 years	15.00%	15.00%
2 - 3 years	50.00%	50.00%
More than 3 years	100.00%	100.00%

In the combinations, those for which the provision for bad debts is made by the balance percentage method:

Applicable Not applicable

In the combinations, those for which the provision for bad debts is made by other methods:

Applicable Not applicable

(3) Individually insignificant account receivable but for which the provision for bad debts is made separately

Reason for that the provision for bad debts is made separately	Insignificant single amount but significant credit risk
Method for provision for bad debts	Account receivables with objective evidence showing that it has been impaired shall be separated from the relevant combination, and the loss on impairment shall be recognized based on the difference by which the present value of the future cash flow is lower than its book value, and the provision for bad debts shall be made.

12. Inventories

Is the Company required to comply with the disclosure requirements for special industry: No.

1. Classification of inventories

Inventories are classified into the finished products or merchandise held for sale in the daily course of business, or work in progress in the process of production, or materials and supplies to be consumed in the process of production or provision of services. Inventories encompasses raw materials, work-in-progress, self-manufactured semi-finished products, and finished products.

2. Valuation method for issuance of inventories

When issuing inventories, it shall be valued by the monthly weighted average method.

3. The basis for determining the net realizable value of inventories, the methods to make provision for the loss on decline in value of inventories

After the overall checking of the inventories at the end of the period, the provision for the loss on decline in value of inventories shall be made or adjusted whichever is lower in accordance with the cost and the net realizable value.

For the merchandise inventories used directly for sale such as finished products, commodity stocks, and materials for sale, during the normal process of production and operation, its net realizable value shall be determined by the amount after deducting the estimated sale expense and relevant taxes from the estimated sale price of inventories. For the material inventories needing processing, during the normal process of production and operation, its net realizable value shall be determined by the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of the finished products. For the inventories held for execution of the sale contract or labor contract, its net realizable value shall be calculated on the basis of the contract price; if the Company holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

The Company shall make provision for loss on decline in value of inventories on the ground of each item of inventories at the end of the period. For inventories with large quantity and relatively low unit prices, the provision for loss on decline in value of inventories shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be restored and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

Except for that there is the clear evidence showing the abnormal market price on the balance sheet date, the net realizable value of the inventory items shall be determined on the basis of market price on the balance sheet date.

Basis for judgment about abnormal market price on the balance sheet date:

The net realizable value of the inventory items at the end of this period shall be determined on the basis of market price on the balance sheet date.

4. Inventory system

A perpetual inventory system

5. The Company shall amortize the easily consumed products of low value and packaging supplies by employing the following methods:

- a) One-off write-off method for easily consumed products of low value;
- b) One-off write-off method for packaging supplies.

13. Assets held for sale

The Company classifies the non-current assets or disposal groups that meet both of the following conditions into the category held for sale:

(1) According to the practice for sales of such assets or disposal groups in similar transactions, they can be sold immediately in the current situation;

(2) A sale is most likely to occur, that is, the Company has made a decision on a sale plan and has received a definite purchase commitment, which is expected to be completed within one year. Where the relevant regulations require the approval of the relevant authority or regulatory authority of the Company before it can be sold, the approval has been obtained.

14. Long-term equity investments

a) Judgment standards for joint control and significant influences

The term “joint control” refers to the sharing of control over an arrangement in accordance with the contracts and agreements, and decision on the activities related to such arrangement must be made with the unanimous consent of the participants sharing the control. Where the Company and other cooperative parties control the invested entity jointly and is entitled to the net assets of the invested entity, the invested entity shall be their joint venture.

The term “significant influence” refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or jointly control together the formulation of these policies with other parties. Where the Company is able to have significant influence on an invested entity, the invested entity shall be its associate.

b) Determination of initial investment cost

(1) Long-term equity investment formed by the merger of an enterprise

For the merger of enterprises under the same control, if the consideration of the merging enterprise is made through cash, transfer of non-cash assets or assumption of debts, and issue of equity securities, it shall, on the date of merger, regard the share of the book value of the owner’s equity of the merged enterprise in the consolidated financial statements of the final controller as the initial cost of the long-term equity investment. If the invested entity under the same control is controllable for reasons such as additional investment, the initial cost of the long-term equity investment shall be determined on the date of merger according to the share of the book value of the net assets of the invested entity in the consolidated financial assets of the final controller. The difference between the initial cost of the long-term equity investment on the date of merger, and the sum of the book value of the long-term equity investment before merger and the book value of the additional consideration paid for further stocks on the date of merger, shall offset against the capital stock premium; if the capital stock premium is insufficient to dilute, the retained earnings shall be adjusted.

For the merger of enterprises not under the same control, the Company shall regard the cost of merger determined on the date of purchase as the initial cost of the long-term investment cost. If the invested entity not under the same control is controllable for the reasons such as additional investment, the sum of the book value of the equity investment held originally and the additional investment cost shall be regarded as the initial investment cost calculated by cost method.

(2) Long-term equity investment obtained by other means

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

If a non-monetary assets transaction is commercial in nature and the fair value of the received or surrendered asset can be measured reliably, the initial cost of a long-term investment obtained by the exchange of non-monetary assets shall be the fair value of the surrendered asset and the relevant taxes payable, except when there is clear evidence showing the fair value of the received equity asset is more reliable; for the non-monetary exchange of assets which cannot meet the above requirements, the book value of the surrendered asset and the relevant taxes payable shall be regarded as the initial cost of the received long-term equity investment.

The initial cost of a long-term equity investment obtained through debt restructuring shall be ascertained on the basis of the fair value.

c) Subsequent measurement and recognition method for profit and loss

(1) Long-term equity investment measured by the cost method

The long-term equity investment made by the Company in the subsidiary shall be measured by the cost method. Except for the declared but not distributed cash dividend or profit included in the price or consideration paid when acquiring the investment, the Company shall recognize the investment income of the current period in accordance with the cash dividend or profit declared and distributed by the invested entity.

(2) Long-term equity investment measured by equity method

The long-term equity investment in joint ventures and associates shall be measured by the equity method. If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses.

The Company shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits and other comprehensive incomes and adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the share it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner's equity other than the net profits and losses, other comprehensive incomes, and profit distribution of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner's equity.

The attributable share of the net profits and losses of the invested entity recognized shall be based on the fair value of the identifiable net assets of the invested entity at acquisition, and the adjusted net profit of the invested entity, taking into consideration the Company's accounting policies and reporting period. Within the period of holding the investment, when the invested entity prepares consolidated financial statements, the consolidated financial statements will be prepared based on the net profit, other comprehensive income and other changes in the owner's equity attributable to the invested entity.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

When recognizing the share of the loss incurred to the invested entity, the Company shall treat in the following order: First, write down the book value of the long-term equity investment. Second, if the book value of the long-term equity investment is not sufficient for write-down, the investment loss shall be further recognized with the limit of the book value of the other long-term equities substantially constituting the net investment of the invested entity, which will write down the book value of the long-term receivable items. Finally, after the above treatment, where the enterprise assumes the additional obligations as stipulated in the investment contract or agreement, the accrued liabilities shall be recognized according to the obligations expected to assume, and recorded into the investment loss of the current period.

(3) Disposal of the long-term equity investment: When disposing of the long-term equity investment, the difference between its book value and the actual purchase price shall be recorded into the profit and loss of the current period.

When disposing the long-term equity investment measured by the equity method, the Company shall apply the same accounting treatment as when the invested entity directly disposes of the relevant assets or liabilities on the relevant proportion originally recorded into the other comprehensive incomes. The owner's equity recognized due to the changes in the owner's equity of the invested entity other than the net profit and loss, other comprehensive incomes and profit distribution, shall be shifted in the profit and loss of the current period in proportion, except for the other comprehensive incomes arising from the re-measurement of the changes in net liabilities or net assets of the defined benefit plan by the invested entity.

Where the Company loses the joint control of or significant influence over the invested entity due to the disposal of the equity investment in part, the residual equity after such disposal shall be subject to the accounting treatment according to the relevant provisions of the rules for financial instruments recognition and measurement, and the difference between its fair value and the book value on the date of loss of the joint control or significant influence shall be recorded into the profit and loss of the current period. The other comprehensive income recognized due to the measurement of the original equity investment by the equity method shall be subject to the accounting treatment on the same basis as that on which the invested entity directly disposes of the relevant assets or liabilities. All the owner's equities of the invested entity recognized due to the changes in the owner's equity other than the net profit and loss, other comprehensive incomes and profit distribution shall be shifted in the profit and loss of the current period when the measurement by equity method is stopped.

Where the Company loses the control to the invested entity due to the partial disposal of the equity investment or due to the decline in shareholding ratio due to the contribution of additional capital by the other investors, when preparing individual financial statements, the residual equity in the invested entity over which the Company has joint control of or significant influence over shall be measured by the equity method, and such residual equity shall be deemed to be measured by equity method when obtained; the residual equity in the invested entity over which the Company does not have joint control of or significant influence over shall be subject to the accounting treatment according to the relevant provisions of the rules for financial instrument recognition and measurement, and the difference between its book value and its fair value on the date of loss of control shall be recorded into the profit and loss of the current period.

When the equity disposed of is obtained through business combination due to the additional investment, when preparing individual financial statements, if the residual equity after such disposal shall be measured by the cost method or equity method, the other comprehensive incomes and other owner's equities recognized due to the measurement of the equity investment held prior to the date of purchase by the equity method shall be carried over in proportion; where the residual equity after disposal shall be subject to the accounting treatment according to the rules for financial instrument recognition and measurement, all the other comprehensive incomes and other owner's equities shall be carried over.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

15. Investment real estates

Measurement mode of investment real estates:

Measured by cost method

Depreciation or amortization method

The term “investment real estates” refers to the real estates held for generating rent and/or capital appreciation, including the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation, and any building which has already been rented (including the self-built building or the building for renting after completing the development activity, as well as the building in construction or development which will be rented in the future).

The Company uses the cost method of measurement for existing investment real estate. The investment real estates and building for renting shall be depreciated according to the same policy as the Company’s policy for fixed assets; the right to use the land for renting shall be amortized according to the same policy as that for intangible assets.

16. Fixed assets

(1) Recognition criteria

The term “fixed assets” refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. Fixed asset may be recognized if it simultaneously meets the conditions as follows: (1) The economic benefits pertinent to the fixed asset are likely to flow into the company; and (2) The cost of the fixed asset can be measured reliably.

(2) Depreciation method

Category	Depreciation method	Depreciation life	Salvage value rate	Annual depreciation rate
House and building	Straight line method	20-40	5-10	4.75-2.375
House decoration and ancillary equipment	Straight line method	10	5-10	9.50
Machinery equipment	Straight line method	5-15	5-10	19.00-6.33
Auxiliary equipment	Straight line method	3-5	5-10	31.67-19.00
Transportation equipment	Straight line method	4-10	5-10	23.75-9.50
Office equipment and electronic equipment	Straight line method	3-5	5-10	31.67-19.00
Safety equipment	Straight line method	1	0	100.00

No.

(3) Recognition basis, measurement and depreciation method for fixed assets under finance leases

A finance lease will be recognized if one of the following requirements is stipulated in the lease agreement entered into between the Company and the lessor: (1) Legal title passes to the Company at the end of lease term; (2) The Company has the option to purchase the assets, the purchase price agreed is far below the fair value of leased assets at the time of exercise of the option; (3) The lease term accounts for most of the useful life of the leased assets; (4) The present value of minimal rental paid by lessee is almost as much as the fair value of leased assets at the beginning of the lease term. At the beginning of the lease term, the Company shall regard the fair value of the leased assets or the present value of minimum rental paid by the lessee whichever is lower as the entry value of the leased assets, regard the minimum rental paid by the lessee as the entry value of the capital lease liability, and regard the balance between them as the unrecognized finance expense.

17. Construction in progress

Is the Company required to comply with the disclosure requirements for special industry: No.

For the construction in progress, the necessary expenditures incurred for the construction of the asset prior to being ready for its intended use shall be regarded as the entry value of the fixed asset. Where the fixed asset in progress has been constructed to be ready for its intended use but the final settlement of account is not completed, the estimated value shall be transferred to the fixed asset according to the budget, building cost or actual cost of the project since the date of bringing the asset to the expected conditions for use, and the depreciation of the fixed assets shall be accrued according to the Company's policy for fixed assets depreciation; after the final settlement of account, the estimated value shall be adjusted at the actual cost, but the accrued amount of depreciation shall not be adjusted.

18. Borrowing costs**1. Recognition principles of borrowing costs capitalization**

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange differences on foreign currency borrowings.

Where the borrowing costs incurred by the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred and shall be recorded into the current profits and losses.

The assets eligible for capitalization shall refer to the fixed assets, investment property, inventories and other assets, of which the acquisition and construction or production may take quite a long time to be ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset expenditures have already incurred, which shall include the cash, non-cash assets transferred or interest-bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) The borrowing costs has already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

2. Capitalization period of borrowing costs

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

When the qualifying asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall cease.

Where part of a qualifying asset under acquisition and construction or production is completed separately and is ready for use, the capitalization of the borrowing costs in relation to this part of asset shall cease.

Where part of an asset under acquisition and construction or production is completed separately but it cannot be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is entirely completed.

3. Suspension of capitalization period

Where the acquisition and construction or production of a qualifying asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as expenses and shall be recorded into the profits and losses of the current period, until the acquisition and construction or production of the asset restarts.

4. Calculation method for amount of the borrowing costs to be capitalized

For specific borrowings for the acquisition and construction or production of assets eligible for capitalization, the amount of the borrowing costs to be capitalized shall be determined in light of the actual cost incurred for the specific borrowings at the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset expenditure of the part of the cumulative asset expenditure minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discount or premium that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

19. Biological assets

No.

20. Oil and gas assets

No.

21. Intangible assets

(1) Valuation method, useful life, and impairment test

1. Valuation method for intangible assets

(1) The intangible assets shall be initially measured by the Company according to its cost when obtaining.

The cost of acquired intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is deferred beyond the normal credit terms, which is of financing nature, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

For the intangible assets obtained through the debt recombination from the debtor used for payment of debt, its entry value shall be determined at the fair value of such intangible assets, and the difference between the book value of the recombined debt and the fair value of such intangible assets used for payment of debt shall be recorded into the profit and loss of the current period;

Where a non-monetary assets transaction is commercial in nature and fair value of the assets received and surrendered can be measured reliably, the carrying value of the intangible assets received from the exchange of non-monetary assets shall be determined on the basis of the fair value of the assets surrendered, unless there is any clear evidence showing that the fair value of the assets received is more reliably measured; where any non-monetary assets transaction does not meet the conditions as prescribed above, the carrying value and relevant payable taxes of the assets surrendered shall be the cost of the assets received and no profit or loss is recognized.

The carrying value of the intangible assets acquired by enterprises under the same control through acquisition and merger shall be determined according to the book value of the merged party; the carrying value of the intangible assets acquired through acquisition and merger of enterprise not under the same control shall be determined at fair value.

The costs of the internally self-developed intangible assets include the costs of materials and labor costs for development of the intangible assets, registration fees, amortization of the other patents and concessions used in the process of development and the interest expense meeting the conditions for capitalization, as well as the other direct expenses incurred to bring the assets to the working condition for its intended use.

(2) Subsequent measurement

The Company shall analyze and judge the useful life of intangible assets, when it obtains intangible assets.

As for the intangible assets with finite useful life, it shall be amortized by the straight-line method within the period when the intangible asset can bring economic benefits to the enterprise; if it is unable to forecast the period when the intangible asset can bring economic benefits to the enterprise, it shall be regarded as an intangible asset with indefinite useful life and are not amortized.

2. Expected useful life of the intangible assets with the finite useful life:

Item	Expected useful life	Basis
Right to use land	40-50	Useful life as recorded on the certificate of title
Patent and non-patent technology	5-10	Expected benefit life
Software	5-10	Expected benefit life

At the end of each period, the useful life and amortization method of intangible assets with finite useful life shall be reviewed. After review, the useful life and amortization methods of intangible assets at the end of this year are not different from those previously estimated.

3. Judgment basis for intangible assets with uncertain service life

At the end of each period, the useful life of intangible assets with indefinite useful life shall be reviewed. After review, the useful life of such intangible assets is still uncertain.

4. The specific criteria for classification of internal research and development project of the Company into research phase and development phase.

The expenditures for its internal research and development projects of the Company shall be classified into research phase expenditures and development phase expenditures.

The term “research phase” refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term “development phase” refers to the application of research results and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new or substantially improved materials, devices or products.

5. Criteria for the capitalization of development phase expenditures

The development expenditures for its internal research and development projects of the Company may be recognized as intangible assets when they satisfy the following conditions simultaneously:

- a. It is feasible technically to complete the intangible assets for use or sale;
- b. It is intended to complete and use or sell the intangible assets;
- c. How the intangible assets will generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself, or the intangible assets will be used internally, the usefulness of the intangible assets;
- d. It is able to complete the development of the intangible assets, and able to use or sell the intangible assets, with the support of adequate technologies, financial resources and other resources; and
- e. The development expenditures of the intangible assets can be reliably measured.

The starting point at which the internal research and development project for the Company's pharmaceutical drugs enters the development stage is the Class-II clinical trial or similar time point, and the ending point is when the production license is obtained. The starting point at which the oral chemical generic drugs enter the development stage is the completion of bioequivalence tests, and the ending point is the acquisition of the production license.

(2) Accounting policies for internal research and development expenditures

① The specific criteria for classification of internal research and development project of the Company into research phase and development phase:

The expenditures for its internal research and development projects of the Company shall be classified into research phase expenditures and development phase expenditures.

The term “research” refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term “development” refers to the application of research results and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new or substantially improved materials, devices or products.

② Criteria for the capitalization of development phase expenditures: The development expenditures for its internal research and development projects of the Company may be recognized as intangible assets when they satisfy the following conditions simultaneously:

- a. It is feasible technically to complete the intangible assets for use or sale;
- b. It is intended to complete and use or sell the intangible assets;
- c. How the intangible assets will generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself, or the intangible assets will be used internally, the usefulness of the intangible assets;
- d. It is able to complete the development of the intangible assets, and able to use or sell the intangible assets, with the support of adequate technologies, financial resources and other resources; and

- e. The development expenditures of the intangible assets can be reliably measured.

The starting point at which the internal research and development project for the Company's pharmaceutical drugs enters the development stage is the Class-II clinical trial or similar time point, and the ending point is when the production license is obtained. The starting point at which the oral chemical generic drugs enter the development stage is the completion of bioequivalence tests, and the ending point when the production license is obtained.

22. Impairment of long-term assets

If there is any sign of possible asset impairment on the balance sheet date, long-term equity investment, investment real estates measured at cost, fixed assets, construction in progress, intangible assets and the other long-term assets shall be subject to impairment test. Where the result of the impairment test indicates that the asset's recoverable amount is lower than its carrying value, the difference shall be recognized as impairment loss and a provision for impairment shall be made accordingly. The recoverable amount is the higher of the net amount of the fair value of the asset less the disposal expense and the present value of the expected future cash flows of the asset. The provision for impairment of assets shall be calculated and recognized on an individual asset basis; where it is difficult to do so, the asset group to which the asset belongs shall be used to determine the recoverable amount of the assets group. Asset groups are the smallest combination of assets, which are capable of producing independent cash inflows.

Goodwill and intangible assets with indefinite useful life shall at least be subjected to an annual impairment test at the end of each year.

The Company shall conduct the impairment test for the goodwill; it shall, on the date of purchase, apportion the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups by a reasonable method. Where it is difficult to do so, it shall be apportioned to the relevant combinations of asset groups. When apportioning the carrying value of the goodwill to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combinations of asset groups containing goodwill and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Once the aforesaid impairment loss is confirmed, it will not be reversed during the subsequent accounting period.

23. Long-term deferred expenses

The long-term deferred expenses are those incurred but shall be borne in the current and subsequent periods for a period of more than one year. The Company's long-term deferred expenses include the sewage charge, house renovation expense, land rental fee, etc.

The long-term deferred expenses shall be amortized in the period of benefit on a straight-line basis.

24. Employee compensation

(1) Accounting treatment method for short-term compensation

During the accounting period in which an employee provides services to the Company, the Company shall recognize the actual short-term compensation incurred as liabilities, and record into the profit and loss of the current period or the relevant cost of assets.

For the social insurance and the housing fund contributions, which are paid by the Company on behalf of the employees, as well as the labor union expenditure and employee education expenses collected by regulators, during the accounting period in which the employee provides the service to the Company, the amount of the relevant employee compensation shall be calculated and determined on an accrual basis and the accrual proportion as stipulated.

If the employee welfare expense is a non-monetary benefit and can be measured reliably, it shall be measured at the fair value.

(2) Accounting treatment method for post-employment welfare

(1) Defined contribution plan

The Company shall pay the basic pension insurance and unemployment insurance for the employee according to the relevant provisions of the local government, calculate the amount payable based on the local stipulated payment base and proportion within the period in which the employee provides services to the Company, which shall be recognized as liabilities and recorded into the profit and loss of the current period or the relevant cost of asset.

(2) Defined benefit plan

The Company shall determine the amount of the welfare obligation attributable to the employee in which the employee provides services to the Company in accordance with the expected cumulative benefit unit method formula, and record it into the profit and loss of the current period or the relevant cost of asset.

The deficit or surplus created by deducting the fair value of the defined benefit plan from the present value of the assets of the defined benefit plan shall be recognized as a net liability or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the Company shall measure the net assets of the defined benefit plan at the surplus of the defined benefit plan and the upper limit of assets, whichever is lower.

All the obligations under the defined benefit plan, including the obligations expected to be paid within 12 months after the end of the annual reporting period in which the employee provides services to the Company, shall be discounted at the yield of treasury bonds consistent with the maturity and currency of the obligations of the defined benefit plan or that of the high-quality corporate bonds in the active market on the balance sheet date.

The service cost generated by the defined benefit plan and the net interest of the net liabilities or the net assets of the defined benefit plan shall be recorded in the profit and loss of the current period or the relevant cost of asset; the changes arising from the re-measurement of the net liabilities or net assets of the defined benefit plan shall be recorded in other comprehensive income, and shall not be reversed to profit and loss in the subsequent accounting period; the part thereof originally recorded into the other comprehensive income shall be transferred to the undistributed profit within the scope of equity upon the termination of the original defined benefit plan.

Upon settlement of the defined benefit plan, the difference between the present value of the obligations of the defined benefit plan and the settlement price as determined on the date of settlement shall be recognized as the settlement gain or loss.

(3) Accounting treatment of termination benefit

When the Company is unable to unilaterally withdraw the termination benefit due to the termination of the labor relation plan or the termination benefit provided in the layoff proposal, or when the Company recognizes the costs or expenses (whichever is earlier) related to restructuring involving the payment of the termination benefit, the employee compensation liability generated by the termination benefit shall be recognized and recorded into the profit and loss of the current period.

(4) Accounting treatment method for other long-term employee benefits

No.

25. Provisions

1. Recognition criteria for provisions

The Company shall recognize a provision for obligations pertinent to litigation, security for debt, onerous contract, reorganization etc. when the following conditions are satisfied simultaneously:

- (1) That obligation is a current obligation of the Company;
- (2) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (3) The amount of the obligation can be measured in a reliable way.

2. Measurement method for provisions

The Company's provisions shall initially be measured in accordance with the best estimate of the expenses necessary for the performance of the current obligation.

To determine the best estimate, the Company shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be dealt with accordingly in the following situations:

If there is a continuous range (or interval) for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range, i.e. the average of the upper and lower limit.

If there is not a continuous range (or interval) for the necessary expenses, or there is a continuous range but all the outcomes within this range are not equally likely to occur, the best estimate if the contingencies concern a single item shall be determined based on the most likely outcome; the best estimate if the contingencies concern two or more items, should be calculated and determined based on all possible outcomes and the relevant probabilities.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognized as a separate asset, and not as a reduction of the required provision, when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The amount recognized should not exceed the amount of the provision.

26. Share-based payment

No.

27. Preferred stock, perpetual bonds, and other financial instruments

No.

28. Revenues

Is the Company required to comply with the disclosure requirements for special industry: No.

1. Principles for recognition and measurement of revenue from selling goods**(1) Overall principles for recognition and measurement of revenue from selling goods**

No revenue from selling goods may be recognized unless the significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; the Company retains neither continuous managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the relevant amount of revenue can be measured in a reliably; it is probable that the economic benefits associated with the transaction will flow into the Company; and the costs incurred or to be incurred can be measured in a reliably.

(2) Company's revenue recognition standard from sale of goods and overall judgment standard for timing of revenue recognition

Domestic sale of products: No revenue shall be recognized unless the Company has delivered the products to the buyer according to the contract, the amount of the revenue from selling products has been determined, the payment for goods has been collected or proof of receipt has been obtained and hence the associated economic benefit is likely to flow in, and the relevant cost of the products can be measured reliably.

Export sale of products: No revenue shall be recognized unless the Company has declared the products at customs according to the contract, the goods have departed, the bill of lading has been obtained, the amount of the revenue from selling products has been determined, the payment for goods has been collected or proof of receipt has been obtained and hence the associated economic benefit is likely to flow in, and the relevant cost of the products can be measured reliably.

Consignment goods in foreign warehouse: The revenue shall not be recognized unless the Company confirms that the goods have been delivered from the consignment warehouse to the end user according to the information provided by the foreign consignment warehouse management personnel, the amount of revenue from selling goods has been determined, the payment for goods has been collected or proof of receipt has been obtained, and the associated economic benefit is likely to flow in, and the relevant cost of the product can be measured reliably.

Recognition principle for revenue from marketing service: The Company shall provide the marketing service according to the contract and recognize the revenue at the time of confirmation by the customer.

2. Principles for recognition and measurement of revenue from the provision of labor services and revenue from construction contracts by percentage of completion method

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the provision of labor services, it shall recognize the revenue from the provision of services by employing the percentage of completion method. The stage of completion under the transaction concerning the provision of labor services shall be determined by the measurement of the work completed;

The Company shall ascertain the total revenue from the provision of labor services in accordance with the contract or agreement price received or receivable, unless the contract or agreement price received or receivable is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenue from providing labor services by the stage of completion then deducting the cumulative revenue from providing of labor services that has been recognized in the previous accounting periods. At the same time, the Company shall carry over the current cost of labor services by multiplying the total amount of revenues arising from the providing of labor services by the stage of completion and then deducting the cumulative costs from the providing of labor services that has been recognized in the previous accounting periods.

If the Company cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be dealt with accordingly in the following circumstances:

- ① If the cost of labor services incurred is expected to be recoverable, the revenue from the providing of labor services shall be recognized to the extent of the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount;
- ② If the cost of labor services incurred is not expected to be recoverable, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

3. Principles for recognition and measurement of revenues from interest and royalties

(1) Overall principles for recognition and measurement of revenues from interest and royalties

For interest and royalties, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably, revenue should be recognized as follows:

- ① The amount of interest revenue should be measured and recognized in accordance with the length of time for which the Company's monetary funds are used by others and the effective interest method;
- ② The amount of royalty revenue should be measured and recognized in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

29. Government subsidies

(1) Judgment basis and accounting treatment method for government subsidies pertinent to assets

A government subsidy means the monetary or non-monetary assets obtained free by the Company from the government and consists of asset-related government subsidies and income-related government subsidies.

The asset-related government subsidies refer to government subsidies that are obtained by the Company used to purchase, construct or otherwise acquire the long-term assets, including the grants for purchase of fixed assets or intangible assets, and interest discounts for special loans for fixed assets.

The standard for classification of the asset-related government subsidies by the Company: the part used for purchase of assets as stipulated in the government subsidies document shall be recognized as asset-related government subsidies.

When government subsidies are actually received, the Company shall distinguish between the types of government subsidies based on the actual amount received, and recognize and measure the government subsidies according to the accounting standards.

The asset-related government subsidies shall be recognized as deferred income and recorded into the current profits and losses equally over the useful lives of the built or purchased assets (Those related to the daily activities of the Company shall be recorded into the other incomes; those not related to the daily activities of the Company shall be recorded into the non-operating income).

(2) Judgment basis and accounting treatment method for government subsidies pertinent to income

The income-related government subsidies refer to all the government subsidies except those pertinent to assets.

The specific standards for classification of the income-related government subsidies by the Company: The part related to income as stipulated in the government subsidies document shall be recognized as the income-related government subsidies.

When government subsidies are actually received, the Company shall distinguish between the types of the government subsidies based on the actual amount received, and recognize and measure the government subsidies according to the accounting standards.

The income-related government subsidies used for compensating future related expenses or losses of the enterprise shall be recognized as deferred income and shall be recorded into the current profits and losses during the period when the relevant expenses are recognized (Those related to the daily activities of the Company shall be recorded into the other income; those not related to the daily activities of the Company shall be recorded into the non-operating income); those subsidies used for compensating the related expenses or losses incurred by the Company shall be directly recorded into the current profits and losses (Those related to the daily activities of the Company shall be recorded into the other income; those not related to the daily activities of the Company shall be recorded into the non-operating income).

30. Deferred income tax assets / deferred income tax liabilities

The Company shall recognize the deferred income tax assets arising from deductible temporary differences only to the extent of the amount of the taxable income it most likely to obtain in the future to offset deductible temporary differences.

Where there is any taxable temporary difference, it shall be recognized as a deferred income tax liability except under exceptional circumstances.

The special circumstances under which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; except for business combinations, transactions or other matters that will not affect accounting profit or taxable income (or deductible losses) at the time of transaction.

If the Company has the legal right to settle on a net basis, and the intention to acquire assets and discharge liabilities simultaneously, current income tax assets and the current income tax liabilities shall be presented as a net amount after offsetting.

If the Company has the legal right to settle the current income tax assets and the current income tax liabilities on a net basis, and the deferred tax assets and deferred income tax liabilities are levied by the same taxing authority on the same entity or different entities that intend to settle current tax assets and current tax liabilities on a net basis or realize the asset and settle the liability at the same time in future periods with significant reversals of tax assets or liabilities, the current income tax assets and the current income tax liabilities shall be presented in the net amount after offsetting.

31. Leases

(1) Accounting treatment method for operating lease

(1) The rental fee paid by the Company for lease of the assets shall be amortized by the straight-line method over the whole lease term without deducting the rent-free period and shall be recorded as current expenses. The initial direct expenses paid by the Company in connection with the lease transaction shall be recorded as current expenses.

If the lessor assumes the costs and expenses relating to this lease to be assumed by the Company, the Company shall deduct such costs and expenses from the total amount of rent, and the rental fee after such deduction shall be amortized within the term of lease and recorded into the current expense.

(2) The rental fee charged by the Company for the lease of assets shall be amortized by the straight-line method over the whole lease term without deducting the rent-free period and recognized as the rental revenue. The initial direct expenses paid by the Company in connection with the lease transaction shall be recorded as current expenses; if the amount is larger, it shall be capitalized, and recorded as current income on the same basis as that for recognition of the rental revenue over the whole lease term.

If the Company assumes the costs and expenses related to the lease to be assumed by the lessee, the Company shall deduct such costs and expenses from the total rental revenue, and distribute the rental revenue after such deduction over the lease term.

(2) Accounting treatment method for financing lease

No.

32. Other significant accounting policies and accounting estimates

1. Hedging classification:

(1) A fair value hedge refers to a hedge of the risk of changes in the fair value of a recognized asset or liability or a previously unrecognized firm commitment (Except for risk of foreign exchange).

(2) A cash flow hedge refers to a hedge of the risk of changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with recognized asset or liability or a highly probable forecast transaction, or the risk of foreign exchange included in a previously unrecognized firm commitment.

(3) A net investment hedge in an overseas operation refers to a hedge of the foreign exchange risk arising from net investment in an overseas operation. The "net investment in an overseas operation" refers to the Company's equity share of rights and interests in the net assets in an overseas operation.

2. Designation of hedging relationship and recognition of hedging effectiveness:

Note: The Ministry of Finance issued the "Interim regulations on the accounting treatment of commodity futures hedging business" in December 2015 (Finance Accounting No.18 [2015], which shall take effect on January 1, 2016. Companies engaged in the business of commodity futures hedging may choose to implement such interim regulations (or not to implement but continue to implement "Accounting Standards for Enterprises No.24 – Hedging"). If the enterprise chooses to implement such interim regulations, the commodity futures hedging business shall no longer apply "Accounting Standards for Enterprises No.24 – Hedging" and must make disclosures in accordance with the requirements on disclosure in such interim regulations. In comparison with the "Accounting Standards for Enterprises No.24 – Hedging", there is no difference in the accounting treatment of hedging, but only in the designation of the hedged item and the conditions for utilization of hedge accounting.

The following accounting policies shall apply to the enterprises that continue to implement the "Accounting Standards for Enterprises No.24 – Hedging":

At the commencement of the hedging, the Company shall designate the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal hedge documentation on the hedging relationship, risk management objectives and the strategies of hedging. This document shall specify the contents of hedging instrument, the hedged item, the nature of the hedged risk and the method for the assessing the effectiveness of the hedging and etc.

The "effectiveness of hedging" shall refer to the extent to which changes in the fair value or cash flow of a hedging instrument can offset the changes in the fair value or cash flow of a hedged item resulting from the hedged risks. The Company shall continuously evaluate the effectiveness of hedging and ensure that this hedging is highly effective in accounting period in which the hedging relationship is specified. If a hedging satisfies the following conditions simultaneously, the Company shall recognize it as being highly effective:

- (1) At the beginning of the hedged period, this hedging is expected to be highly effective in offsetting the changes in the fair value or cash flows caused by the hedged risk during the specified periods;
- (2) The hedge's actual offset results are within a range of 80% to 125%.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

The following accounting policies shall apply to the enterprises that implement the “Interim regulations on the accounting treatment of commodity futures hedging business” for the commodity futures hedging business:

At the commencement of the hedging, the enterprise shall designate the hedging relationship formally and prepare a formal hedge documentation on the hedging relationship, risk management objectives and the strategies of hedging. This document shall specify the nature and quantity of hedging instrument, the nature and quantity of the hedged item, the nature of the hedged risk, the type of hedge, and the Company’s assessment of the effectiveness of the hedging instrument. The “effectiveness of hedging” shall refer to the extent to which changes in the fair value or cash flow of a hedging instrument may offset the changes in the fair value or cash flow of a hedged item resulting from the hedged risks.

The Company shall continuously evaluate the effectiveness of hedging and judge that this hedging is highly effective in accounting period in which the hedging relationship is specified. If not satisfied, the Company shall stop the utilization of the hedging relationship.

For the commodity hedging business, the following requirements for hedging effectiveness shall be met:

- (1) There is an economic relationship between the hedged item and the hedging instrument.
- (2) The influence of credit risk is not dominant in the value change caused by the economic relationship between the hedged project and the hedge instrument.
- (3) The appropriate hedging ratio shall be used. Such hedging ratio will not result in the imbalance of the relative weight between the hedged item and the hedging instrument, thus producing an accounting result inconsistent with the hedge accounting objective. If the hedging ratio is no longer appropriate, but the hedging risk management objective is not changed, the quantity of the hedged item or the hedging instrument shall be adjusted in order to enable the hedging ratio to meet the requirements of effectiveness again.

For the other commodity hedging businesses, the following requirement for hedging effectiveness shall be met simultaneously:

- (4) At the commencement of the hedging and thereafter, the hedging is expected to be highly effective in offsetting the changes in fair value or cash flow caused by the hedging risk within the specified hedging period.

3. Accounting treatment method for hedging:

(1) Fair value hedging

The fair value of the hedging derivative instrument shall be recorded in the profit and loss of the current period. The change in the fair value of the hedged item resulting from the hedged risk shall be recorded in the profit and loss of the current period and the book value of the hedged item shall be adjusted at the same time.

For fair value hedges related to the financial instruments measured at amortized cost, adjustments made to the book value of the hedged item shall be amortized over the residual period between the adjustment date and the expiry date, and recorded in the profit and loss of the current period. The amortization by the actual interest rate method can start immediately after the adjustment of the book value and shall not be later than the cessation of the changes in the fair value caused by the hedged risk to the hedged item.

If the hedged item is de-recognized, the unamortized fair value shall be recognized in the profit and loss of the current period.

If a hedged item is an unrecognized firm commitment, the cumulative changes in the fair value of the firm commitment resulting from the hedged risk shall be recognized as an asset or liability and the related gain or loss shall be included in the profits and losses of the current period.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

Changes in the fair value of hedging instruments are also included in profit or loss for the current period.

(2) Cash flow hedging

The effective portion of any gain or loss of the hedging instrument shall be directly recognized as the owner's equity; the ineffective portion of any gain or loss shall be recorded in the profit and loss of the current period.

If the hedged transaction affects the profit and loss of the current period, for example when the hedged finance income or finance expense is recognized or an expected sale occurs, the amount recognized in the other comprehensive income shall be reclassified to the profit and loss of the current period. If a hedged item is the cost of a non-financial asset or non-financial liability, the amount recognized originally in the other comprehensive income shall be reclassified and recorded as the initially recognized amount of such non-financial assets or non-financial liabilities (or if recognized originally in the other comprehensive income, it shall be reclassified in the same period in which such non-financial assets or non-financial liabilities affect the profit and loss, and recorded in the profit and loss of the current period).

If it is expected that the forecasted transaction or firm commitment will not occur, the cumulative profit or loss of the hedging instrument previously recorded in the owner's equity shall be reclassified and recorded in the profit and loss of the current period. If the hedging instrument has expired, is sold, the contract is terminated or has been exercised (but not superseded or renewed), or the Company has revoked the designation of the hedging relationship, the amount previously recorded into the other comprehensive income shall not be reclassified until the forecast transaction or firm commitment affects the profit and loss of the current period.

(3) A hedging of net investment in an overseas operation

The treatment of the hedging of net investment in an overseas operation, including the hedging of monetary item that are part of the net investment, is similar to that of the cash flow hedging. The effective portion of any profit or loss formed by the hedging instrument shall be recorded into the other comprehensive income, and the ineffective portion shall be recognized as the profit and loss of the current period. When disposing an overseas operation, any cumulative profit or loss recorded into the owner's equity shall be reclassified and recorded in the profit and loss of the current period.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

√ Applicable □ Not applicable

Contents and causes of changes in accounting policies	Procedure for examination and approval	Remark
The "Accounting Standards for Enterprises No. 16 - Government Subsidies" issued by the Ministry of Finance on June 12, 2017 (Finance Accounting No.15 [2017])	Approved at the thirteenth meeting of the sixth board of directors of the Company in 2017	The Company shall treat the government subsidies existing as of January 1, 2017 by the prospective application method and adjust the additional government subsidies from January 1, 2017 to the effective date of this rule in accordance with this rule.
In the income statement, the "net profit from continuing operations" and the "net profit from discontinued operations" are presented separately. The comparative data is adjusted accordingly.		The net profit from continuing operations as presented in this year is RMB 1,265,657,599.83; the net profit from discontinued operations presented in this year is RMB 0.

APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF YIFAN PHARMACEUTICAL

<p>In the income statement, the item “income from disposal of assets” is added; some profits and losses from disposal of assets originally presented as the “non-operating income” and the loss on disposal of non-current assets originally presented as the “non-operating expenses” are reclassified as “income from disposal of assets”. The comparative data shall be adjusted accordingly.</p>		<p>The non-operating income has decreased by RMB 552,707.78, and the non-operating expenses has decreased by 13,554,889.51 and reclassified as income from disposal of assets.</p>
--	--	--

The “Accounting Standards for Enterprises No.42 – Non-current assets held for sale, disposal groups and termination of operations”, the “Accounting Standards for Enterprises No. 16 - Government Subsidies”, and the “Notice from Ministry of Finance on the Revision and Issuance of General Financial Statements of Enterprises” shall be implemented.

In 2017, the Ministry of Finance issued the “Accounting Standards for Enterprises No.42 – Non-current assets held for sale, disposal groups and termination of operations”, which took effect from May 28, 2017. The non-current assets held for sale, disposal groups and termination of operations existing as of the date of implementation shall be treated by the prospective application method.

The Ministry of Finance revised the “Accounting Standards for Enterprises No. 16 - Government Subsidies” in 2017, which will come into effect on June 12, 2017; the government subsidies existing as of January 1, 2017 shall be treated by the prospective application method; the additional government subsidies between January 1, 2017 to the date of implementation shall be adjusted according to the revised rule.

The Ministry of Finance issued the “Notice from Ministry of Finance on the Revision and Issuance of General Financial Statements of Enterprises” in 2017, and revised the general financial statements of enterprises, which shall be applicable to the financial statements for 2017 and the subsequent periods.

The main impacts from the implementation of the aforesaid three regulations by the Company are shown above.

(2) Changes in significant accounting estimates

Applicable Not applicable

34. Miscellaneous

No.

