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東北虎藥業股份有限公司

NORTHEAST TIGER PHARMACEUTICAL CO., LTD.*

(A joint stock limited company established in the People's Republic of China)

(Stock Code: 8197)

ANNUAL REPORT AND DIVIDEND

Reference is made to the date of board meeting dated 3 January 2017 (the “date of board meeting”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those in the date of board meeting.

In the meeting of the Board held on 5 March 2017 (the “Board Meeting”), it was resolved that no dividend be paid.

The report for the 12 months ended 31 December 2016 (the “Annual Report”), as attached, has been approved by the Board in the Board Meeting. The printed version of the Annual Report will be dispatched to the shareholders of the Company and will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.northeasttiger.com in due course.

By Order of the Board

Northeast Tiger Pharmaceutical Co., Ltd.*

Wang Shaoyan

Chairman

Beijing, People’s Republic of China, 5 March 2017

As at the date of this announcement, the Company's executive directors are Wang Shaoyan, Cui Bingyan and Qin Haibo; the Company's non-executive directors are Guo Aiqun and Cao Yang and the Company's independent non-executive directors are Zhao Zhen Xing, Chen Youfang and Hui Lai Yam.

This announcement, for which the directors of Northeast Tiger Pharmaceutical Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Northeast Tiger Pharmaceutical Co., Ltd.* The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading. This announcement will remain on the "Latest Company Announcement" page of the GEM website (www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company (www.northeasttiger.com).*

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

** for identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Northeast Tiger Pharmaceutical Co., Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this report misleading.

In this report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of names in Chinese which are marked with "" is for identification purpose only.*

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EXECUTIVE DIRECTORS

Wang Shaoyan (Appointed on 10 January 2016)
Cui Bingyan (Appointed on 10 January 2016)
Qin Haibo
Xu Dongmei (Resigned on 10 January 2016)
Guo Feng (Resigned on 10 January 2016)

NON-EXECUTIVE DIRECTORS

Guo Aiqun (Appointed on 10 January 2016)
Cao Yang (Appointed on 13 April 2016)
Zhang Jinlong (Appointed on 10 January 2016
and Resigned on 13 April 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhao Zhen Xing
Chen Youfang (Appointed on 10 January 2016)
Hui Lai Yam
Niu Shu Min (Resigned on 10 January 2016)

SUPERVISORS

Yang Lixue (Appointed on 10 January 2016)
Meng Shuhua
Lin Xiarong (Appointed on 10 January 2016)
Zhang Ya Bin (Resigned on 10 January 2016)
Chen Lin Bo (Resigned on 10 January 2016)

COMPANY SECRETARY

Ng Chenhui

AUDIT COMMITTEE

Zhao Zhen Xing
Chen Youfang (Appointed on 10 January 2016)
Hui Lai Yam
Niu Shu Min (Resigned on 10 January 2016)

COMPLIANCE OFFICER

Cui Bingyan (Appointed on 10 January 2016)
Guo Feng (Resigned on 10 January 2016)

AUTHORIZED REPRESENTATIVES

Wang Shaoyan
Qin Haibo

GEM STOCK CODE

8197

AUTHORIZED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE

Qin Haibo

AUDITORS

PAN-CHINA (H.K.) CPA LIMITED

LEGAL ADVISORS AS TO HONG KONG LAWS

King & Wood Mallesons

PRINCIPAL BANKERS

China Construction Bank Jilin Railway Branch
Bank of China (Hong Kong)

HONG KONG BRANCH SHARE REGISTRATION AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
17M th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

No. 3, No. 2 Road
Jilin Hi-Tech Development Zone
Jilin City
Jilin Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2002, 20/F, Haleson Building
1 Jubilee Street
Central, Hong Kong

BUSINESS REVIEW AND PROSPECTS

On behalf of the board of Directors (the "Board") of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company"), I hereby present to our shareholders the annual report of the Company and its subsidiaries (collectively referred to as "Group") for the year ended 31 December 2016.

Business Review

During the period under review, the global economy was still struggling to attain steady growth. Nevertheless, the PRC government continued to push ahead reform on the supply side, including the launch of a series of measures to stabilize growth which have gradually added more positive factors in the economic structure and led to the growth of gross domestic product of 6.7% in 2016, slightly exceeding market expectations.

The Group's business is classified into four main segments: (i) pharmaceutical and Beidou big data, development of health-related big data and healthcare management service; (ii) planting, cultivation and sale of Chinese herbs; (iii) trading business and (iv) development, manufacture and sale of medicines.

The Group has been continuously assessing the current business strategy, with the aim to streamline its business, enhance overall performance, prospects and attractiveness to market investors. The Directors consider that pharmaceutical and Beidou big data, development of health-related big data and healthcare management service have great market potential and good earnings prospect. Taking into account the above factors and the limited growth potential of the medicine business, the Group will contemplate to gradually dispose of the business of development, manufacture and sale of medicines, while strengthening the segment of trading business and planting, cultivation and sale of Chinese herbs and increasing the development effort on pharmaceutical and Beidou big data, development of health-related big data and healthcare management service in the future.

(i) Pharmaceutical and Beidou big data, development of health-related big data and healthcare management service

On 13 April 2016, the Company entered into a strategic framework cooperation agreement with Anhui Pharmaceutical (Group) Co., Ltd.* (安徽省醫藥(集團)股份有限公司) ("Anhui Pharmaceutical") and Zhonghe Beidou Information Technology Co., Ltd.* (中和北斗信息技術股份有限公司) ("Zhonghe Beidou") (the "Strategic Cooperation Framework Agreement"). Anhui Pharmaceutical is a major commercial enterprise established in December 2002 under the approval of its provincial government. Its predecessor was a pharmaceutical company with 58 years of history. Anhui Pharmaceutical is one of the first GSP certified corporations in the People's Republic of China (the "PRC"), the vice president unit of Anhui Pharmaceutical Profession Association* (安徽省醫藥行業協會), and a provincial pharmaceutical reserve unit of Anhui Province. It possesses self-operated import and export right. Its wholly-owned subsidiary, Anhui Green Cross Pharmaceutical Chain Co., Ltd.* (安徽省綠十字醫藥連鎖有限公司) is one of the first GSP certified corporations in Anhui Province, and is one of the pharmaceutical chain retailers in Anhui Province with cross-regional operating licence. Zhonghe Beidou is a hi-tech joint stock enterprise specialising in the application of Beidou Navigation Satellite System (北斗衛星導航系統), and is one of the local agents of Beidou navigation services for civil use approved and authorised by China National Administration of GNSS and Applications* (中國衛星導航定位應用管理中心). Zhonghe Beidou has a team of advanced technology talents who are involved in the operation and management, technological development, and promotion and application of Beidou system with the PRC government. It has a cloud platform for the management and services of Beidou satellite for civil use, Beidou navigation positioning software, Beidou precise timing technology and various core technologies of the Beidou application platforms for military and civil use, which allow it to possess certain competitive edges within the industry in terms of providing smart education, smart medical services, wildfire services, safe school bus services, monitoring and control of water and air pollution, and surveillance of pipe networks by using Beidou satellite. Pursuant to the Strategic Cooperation Framework Agreement, the parties shall jointly establish a project company (the "Project Company") to engage in "pharmaceutical and Beidou big data, development of health related big data and healthcare management service" in the PRC. The Project Company shall develop its business mainly towards the integration of pharmaceutical technology with big data, development of smart medical services and healthcare management services and the construction of health Beidou big data. On 28 November 2016, due to commercial reasons, the Company, Anhui Pharmaceutical and Zhonghe Beidou entered into a supplemental agreement, pursuant to which it was agreed that the form of cooperation under the Strategic Cooperation Framework Agreement shall be changed such that (1) the Company and Zhonghe Beidou shall form the Project Company; and (2) Anhui Pharmaceutical will enter into cooperation agreement(s) with the Project Company separately for the specific projects in the future.

On 28 November 2016, the Company entered into the assets transfer agreement as purchaser with Beijing Heng Yuan Ji Ye Investment Management Co., Ltd.* (北京恒源基業投資管理有限公司) as vendor to acquire the property located in Chaoyang District, Beijing, the PRC with a construction area of 592.13 square metres (the "Property") at the aggregate consideration of RMB66,600,000 (the "Property Acquisition"). The Property will be used as the Group's Beijing headquarter office to cope with the operation needs of the Group and pave for the future growth and development of the Group. The Directors consider that the Property Acquisition may lower the office rental cost of the Group in the long term. In addition, the Directors consider that the Property Acquisition may (i) facilitate centralization of its management and operation, improve flexibility of its future development and enhance overall competitiveness by improving staff efficiency, cohesion and communication; (ii) cope with and promote its business expansion plans, staff recruitment and long-term future growth; and (iii) broaden fixed asset base with capital appreciation potential.

(ii) Planting, cultivation and sale of Chinese herbs

On 27 September 2010, Antao County Northeast Tiger Xinxing New Product Co., Ltd.* (安圖縣東北虎新興特產有限公司) ("Xinxing Co") (a wholly-owned subsidiary of the Company) entered into an agreement (as amended by a supplemental agreement dated 24 February 2011) with Jilin Fu Man Shan Zhen Co., Ltd.* (吉林福滿山珍有限公司) ("Fu Man Shan Zhen"), pursuant to which Fu Man Shan Zhen agreed to transfer to Xinxing Co the forest concession right of the forest land situated at Jilin Province, the PRC (the "Forest Land") at the consideration of approximately RMB173,530,000 for a term of approximately 70 years until 31 December 2080 (the "Agreement"). Pursuant to the Agreement, the first instalment of RMB100,000,000 shall be paid by Xinxing Co to Fu Man Shan Zhen by way of cash on or before 31 December 2010; the remaining RMB73,530,000 shall be paid in 10 equal instalments in cash in the coming ten years before 31 December each year, commencing from 2011. The acquisition was approved in an extraordinary general meeting of the Company on 6 October 2011, and was subsequently completed.

As disclosed in the 2013 annual report of the Company, the forest concession right of the Forest Land can be used to develop three major industries on the Forest Land, namely: (A) breeding of traditional Chinese medicine herbs, (B) tourism industry, (C) timber logging. The timber logging business has not been carried out by the Group and the Company has focused on breeding and processing of traditional Chinese medicine, especially breeding and processing of underground ginseng. In order to extend the business to timber logging, logging permits are required. It has recently been discovered that the relevant logging permits could not be obtained. The relevant government authorities did not indicate the relevant logging permits could be obtained in the foreseeable future and no reason has been provided so far.

The key factor for the Group to pursue the acquisition at that time was for the development of business of breeding of Chinese medicine herbs and the Group had no intention to expand to the business of timber logging at that time. In this connection, the Group was not concerned whether the logging permits has been obtained at the time of acquisition and the valuation conducted at the time of acquisition did not take into account any valuation on logging permits or any possible economic return to be derived from timber logging on the Forest Land.

The Company has already paid a sum of approximately RMB102,300,000 out of the total consideration of RMB173,530,000 pursuant to the Agreement, of which RMB2,300,000 has been returned by Fu Man Shan Zhen to Xinxing Co in December 2013. As a result of the said subsequent development, Fu Man Shan Zhen and Xinxing Co entered into the settlement agreement on 14 March 2014 (the "Settlement Agreement") whereby the parties thereto agreed and confirmed that: (i) the forest concession right (subject to the Xinxing Co's right to use the Forest Land for agricultural and animal breeding purposes at nil consideration for 18 years commencing from the date of the settlement and the economic benefits arising from such activities during the period (the "Breeding Rights") shall be returned to Fu Man Shan Zhen; (ii) Xinxing Co shall no longer be liable to settle the unpaid portion of the consideration pursuant to the Agreement; (iii) Fu Man Shan Zhen shall refund an aggregate of RMB100,000,000 in cash (i.e. RMB10,000,000 to be paid in cash within 15 days after signing of the Settlement Agreement and the remaining RMB90,000,000 be paid by 18 equal installments in cash in the next 18 years before 31 December each year, commencing from 2014) (the "Refund"); and (iv) Xinxing Co has the priority to continue to use the forest land on the same rate as those offered by other parties, should it wish to continue to use the forest land upon expiry of the 18-years period when Fu Man Shan Zhen fully settled the Refund and upon negotiation by the parties. As at 31 December 2016, Xinxing Co had received an aggregate of RMB25,000,000 of the Refund from Fu Man Shan Zhen pursuant to the Settlement Agreement. As at 31 December 2016, the total outstanding amount of Refund payable by Fu Man Shan Zhen to Xinxing Co amounted to RMB75,000,000.

Chairman's Statement

Chinese medicine herbs including underground ginseng (林下參), asarum (細辛), acanthopanax (刺五加), fritillaria ussuriensis maxim (平貝母), fragrant solomonseal rhizome (玉竹), and forest frog (林蛙) were planted or breed on the Forest Land taking into account the weather and soil conditions of the Forest Land. Wild schisandra chinensis (野生五味子) was also artificially cultivated and managed on the Forest Land.

(i) *Underground Ginseng* (林下參)

Ginseng is regarded as "King of Herbs" (百草之王) and is a precious Chinese medicine herbs. There are more than 4,000 years of history of using ginseng. Underground ginseng refers to a method where seeding of ginseng seeds is through manual methods on the mountainous area. Ginseng seeds are grown for 10 to 20 years or above without any human interruption. Underground ginseng can also be called transplanted ginseng. The nutrition effect of underground ginseng can be as good as wild ginseng. In the PRC, breeding of underground ginseng was developed in 1990. At first, transplantation of family ginseng (家參) was developed. In view of the increasing demand for ginseng, seeding of ginseng seeds through manual methods and allowing ginseng to grow naturally became the trend. In 2004, the PRC Government announced 14 cities or counties in Changbai Mountain areas as place of origin of ginseng and "Changbai Mountain Ginseng" became place of origin for protected products nationally. To better control the quality of "Changbai Mountain Ginseng"*, 《關於振興人參產業的意見》(Opinion Regarding Reinforcing Ginseng Industry) was introduced in 2012. In the above opinion, the brand "Changbai Mountain Ginseng" has to be reinforced in full gear and through various policies, industry production chain will be reinforced. As such, GAP underground ginseng will be further developed in the near future.

(ii) *Asarum* (細辛)

Asarum belongs to Aristolochiaceae (馬兜鈴科) and asarum, the perennial herb for medicinal plant which is suitable for undergrowth. Wild species are the *A. Heterotropoides* Fr (遼細辛) which spreads over the Northeast part of the PRC and *A. sieboldi* Miq (華細辛) spreads over the Shanxi Province of the PRC. Normally, the quality of *A. Heterotropoides* Fr is better than *A. sieboldi* Miq, therefore, the breeding is mainly on *A. Heterotropoides* Fr. Asarum is not only for the domestic demand, but there is also a great demand of asarum from other countries and asarum has been a quick selling product in the traditional Chinese medicine herbs market. Upon conducting a site visit of the Forest Land, the Forest Land suitable for undergrowth of asarum is up to 400 hectares (the available area is 160 hectares), with the production cycle of 4 years. At present, the price of dry asarum product is approximately RMB26-40 per kg. The artificial breeding production can be harvested in 3-4 years, and this kind of breeding can produce fresh asarum of approximately 2.5kg per square meter on the Forest Land.

(iii) *Acanthopanax senticosus* (刺五加)

Acanthopanax senticosus is acanthopanax and deciduous shrub with perennial rootstock. It is mainly distributed in three provinces of the northeast part of the PRC (Heilongjiang, Jilin and Liaoning), also in Hebei Province and Shanxi Province. Cortex of *Acanthopanax Senticosus* (cortex acanthopanax) is a common valuable Chinese material for producing Chinese medicine. *Acanthopanax Senticosus* is suitable to be planted in a sparse forestland and the harvesting cycle is normally about 4-6 years. Before the freeze-up starting from late October each year, 133 acanthopanax senticosuses per mu can be planted in the Forest Land and can be harvested once every 5 years. According to on-site investigation of the Forest Land, approximately 350 hectares (the available area is 140 hectares) is suitable for breeding of acanthopanax senticosus. The production value of acanthopanax senticosus is approximately RMB1064 per mu.

(iv) *Fritillaria Ussuriensis Maxim* (平貝母)

Fritillaria Ussuriensis Maxim is a perennial plant of liliaceae and its subterranean stem can be for medicinal use. *Fritillaria Ussuriensis Maxim* has 60 days of growth period, can be interplanted or planted in forest land. Artificially cultivated *Fritillaria Ussuriensis Maxim* can be harvested once in two years. It is estimated that planted use level is 0.35-0.75kg/m², with the output of unit area of 1-2.5kg/m². According to on-site investigation of the Forest Land, approximately 100 hectares is suitable for planting *Fritillaria Ussuriensis Maxim* and it is estimated that the production cycle is about 2 years. It is estimated that approximately RMB7,000 production value can be generated on each mu of the Forest Land.

(v) *Fragrant Solomonseal Rhizome* (玉竹)

Fragrant Solomonseal Rhizome is a perennial plant of liliaceae and its subterranean stem can be for medical use. It is suitable to survive in a cool, damp, shade environment and is wild in darkness place in valley, river, underwood, brushwood and by a mountain road side. It is suitable to grow in subacid yellow sand soil and can be planted in uncultivated or idle hillside. *Fragrant Solomonseal Rhizome* can be harvested after 2-3 years' planting. According to onsite investigation of the Forest Land, there is an area of 100 hectares suitable for planting fragrant solomonseal rhizome in the Forest Land and the production cycle is approximately 3 years. The current market price of fragrant Solomonseal Rhizome is approximately RMB24.30 per kg.

(vi) *Management and Conservation of Wild Schisandra Chinensis (野生五味子)*

Schizandra (北五味子) is a common valuable Chinese medicinal material. Schisandra chinensis is nourishing and is the first choice for producing health care products and drugs that are beneficial to brain, can soothe the nerves and regulate the nervous system. Schizandra can also serve as a processing raw material for fruit wines and fruit drinks. Schizandra is a multi-functional, multi-use wild plant with high development and utilization value, a broad application prospect and beneficial in resource conservation. According to on-site investigation, 125 tonnes (50 kg per hectare) of fresh fruit of schizandra can be produced annually, meaning 25 tonnes of dry schizandra can be produced. The current market price of dry Schizandra is approximately RMB40-50 per kg. Planting (cultivating) the materials in the Forest Land can enhance taste of product, prolong or shorten harvest time according to market quotations because of less input of manpower and resources, avoid market risk and effectively use forest lands while protecting species resources.

(vii) *Forest frog's oviduct (林蛙油) of Changbai Mountain*

"The Chinese Pharmacology" records: forest frog's oviduct "can nourish the lung, promotes saliva or body fluids, is the intensifier and nutritious high quality goods for the feeble human body". The forest frog for producing forest frog's oviduct (林蛙油) are mainly produced in our country Northeast's Changbai Mountain area and is the northeast area's unique frog variety. The current market price of forest frog's oviduct is approximately RMB5200 per kg.

Antao Country, in which Xinxing Co is situated, is located in the southwestern part of 延邊朝鮮自治區 (Yanbian Chaosian Autonomous Prefecture*), Jilin Province, the PRC. Antao County has an area of 7,438 km². Yanbian Prefecture and Antao County are mainly mountainous areas located in Jilin Province, the PRC. To strive for developing local economy, the local governments of these two areas always encourage all kinds of enterprises to develop forest land resources. At present, the planting of organic food and organic Chinese medicine herbs and forest activities have become the hotspots of local economic growth in Yanbian Prefecture and Antao County. After many years of efforts in attracting outside capital investment, the local governments of these two areas have accumulated experiences in developing mountainous areas and forest land with private enterprises.

Jilin Province is geographically located in the middle latitude area of northern continent. Its eastern part is near to Yellow Sea (黃海) and Japan Sea (日本海) and is relatively humid. Its western part is far away from the sea and is near to Mongolia Highland (蒙古高原) and is relatively dry. As a result of its unique geographical location, the four seasons in Jilin Province is particularly distinctive. The average yearly temperature in Jilin Province is 2-6 degree celsius. Sun light over a year is in average about 2200-3000 hours, yearly rainfall is about 400-900 mm. As the eastern part of Jilin Province is near to the sea, there are approximately 130 non-frozen days annually and approximately 150 non-frozen days annually in the western part of Jilin Province.

According to the Research on Local Chinese Medicines Herbs* (道地藥材的成因研究) and Research on Relationship between Local Chinese Medicines Herbs and Environment* (道地藥材與環境相關性研究), normally the breeding of Chinese medicine herbs is affected by factors like sunlight, temperature and rainfall. The traditional Chinese herbs materials including underground ginseng, Asarum (細辛), Acanthopanax senticosus (刺五加), Fritillaria Ussuriensis Maxim (平貝母), Fragrant Solomonseal Rhizome (玉竹), Wild Schisandra Chinensis (野生五味子) etc. bred on the Forest Land is recognized as local Chinese medicine herbs suitable for breeding in Jilin Province by the PRC government and the weather condition is suitable for breeding of underground ginseng.

The Directors consider the potential for future growth of ginseng industry can be attributed to a combination of the competitive strengths, including the following:

- (1) as the economy of the PRC is developing and people start to have more concern on their health, they are willing to spend on purchasing health-related products or health supplement to improve their health. Ginseng has long been regarded as having a high nutrition value and can cure different kinds of health problems and is widely used in Chinese pharmaceutical products; and
- (2) Jilin Province is a province suitable for breeding of underground ginseng and there are no other provinces in the PRC where the climatic environment is suitable for breeding of underground ginseng. Therefore, the Directors consider that the competition in ginseng industry is not as severe as other pharmaceutical companies in the PRC.

The market value of ginseng and herbs is highly dependent on, among others, the level of maturity, color, size, appearance, and prevailing market demand. In view of the Group's intention to harvest ginseng and herbs as and when it finds it is the appropriate harvest time for a better market value which could in turn maximise the return to the Group, there had been little harvesting of ginseng and herbs for the financial years of 2013, 2014, 2015 and 2016 and thus no revenue was generated therein. To achieve this, the Group plans to increase future business income from ginseng and herbs through the following strategies:

- (1) expanding production capacities of breeding of underground ginseng;
- (2) maintaining the quality of ginseng seedlings and seeds so that high quality ginseng can be produced;
- (3) continuing to focus on production safety, environmental protection, operational excellence and community relations; and
- (4) strengthening its research and development and developing more ginseng-related products.

In addition, the Group is actively looking for relevant experts to make the best planning for the future development of the Forest Land. At the same time, the Group intends to adjust the management team to integrate the existing resources of the Company and seek the best interests for the shareholders.

(iii) General trading

On 9 May 2016, the Company entered into an investment cooperation agreement (the "Investment Cooperation Agreement") with Beijing Shangzheng Technology Co., Ltd. *(北京上正科技有限公司) ("Beijing Shangzheng Technology") to establish a JV company (the "JV Company"). The registered capital of the JV Company shall be RMB20,000,000. Pursuant to the Investment Cooperation Agreement, the Company and Beijing Shangzheng Technology shall contribute RMB12,000,000 and RMB8,000,000 and shall hold the equity interests in the JV Company as to 60% and 40%, respectively. Beijing Shangzheng Technology was registered in 海淀高科技園區 (Haidian Hi-Tech Park*), Beijing. Beijing Shangzheng Technology is principally engaged in the marketing operation, hardware and software application of navigation systems, and production and trading of commodities. Beijing Shangzheng Technology has various business partners domestically and internationally, and has established extensive trading channels. The scope of business of the JV Company covers sales of medical equipment; import and export of commodities; import and export agency; technology promotion; provision of technical services; import and export of technologies; provision of satellite application technology, computer system integration services; development of computer hardware and software and ancillary equipment, mechanical equipment, instruments and chemical products; corporate planning; wholesales of chemical products (excluding category 1 precursor chemicals and hazardous chemicals) and electronic equipment. The Board considers that establishing the JV Company promotes further business expansion and diversification of the Company. The Board is of the view that the terms of the Investment Cooperation Agreement are entered into on normal commercial terms and are fair and reasonable, and the entering of the Investment Cooperation Agreement is in the interests of the Company and the shareholders of the Company as a whole. During the year, the JV Company carried out the trading business.

(iv) Development, manufacture and sale of medicines

Since 2016, against the backdrop of the continuous deepening of the pharmaceutical system reform in China, pharmaceutical enterprises have been facing severe challenges in terms of tightening of control over the medical insurance premiums, the consistency evaluation of generic drugs (仿製藥一致性評價) and the introduction of key monitored drug list by various provinces and cities. The entire industry underwent a painful period for reform. In April 2016, the State Council published the "Notice on Issuing the Key Tasks in 2016 of Deepening Reform of the Pharmaceutical and Healthcare System"* (《關於印發深化醫藥衛生體制改革二零一六年重點工作任務通知》) (the "Notice"), which required public hospitals to implement the two-invoice system. The Notice stated that the two-invoice system would first be implemented in 11 provinces at the initial stage before it is implemented nationwide. This leads to rapid destocking of the distributors, which directly affects the sales in the industry. It is expected that many pharmaceutical enterprises will be forced out of the industry or merged during this consolidation stage of the industry. In addition, the profits of the industry is under pressure due to the continuous increase in the costs of packaging, raw materials and wages.

On 28 November 2016, the Company entered into an assets transfer agreement as vendor with Jilin Chun Hua Qiu Shi Agricultural Development Co., Ltd. (吉林春華秋實農業開發有限公司) as the purchaser to dispose of the assets at the aggregate consideration of RMB48,800,000 (the "Disposal"). The assets disposed were previously used by the Group in the GMP Chinese medicine

Chairman's Statement

business, which was principally engaged in the production and sales of Chinese medicine under the brand name of “東北虎” (Northeast Tiger*) in the PRC as well as pharmaceutical research and development. The original products produced and sold by the Group included small-volume injections, granules, pills, capsules and drops. The Directors have been continuously assessing the Group's current business strategy, with the aim to streamline its business, enhance overall performance, prospects and attractiveness to market investors. The Directors basically foresee little growth potential of the original medication business, and coupled with the fact that the revenue of the original business is negligible, therefore limiting the choices and fund-raising capability of the Company. There is a need to implement the strategy of streamlining the key businesses as an opportunity to improve the financial condition of the Group, so as to improve the prospects of the Group. The Directors have assessed the structure of the Disposal and considered the Disposal is a good opportunity for the Group to restructure its strategic business position and focus its resources on implementing development opportunities (including but not limited to “pharmaceutical and Beidou big data, development of health related big data and healthcare management service”) while improving and consolidating the Group's financial position and cash flow.

Prospects

Looking to 2017, structural changes in the industry will continue, driven by the structural adjustment in the domestic economy and structural reform in the supply side. The PRC government will also raise its requirements on environmental protection. The PRC economy remained at a new normal stage, and achieved a stable performance while staying low. Overall, consumables market in the PRC maintained a steady growth. The country's supportive policies to integrate pharmaceuticals and treatment with internet technology have also created new development opportunities for the industry.

The General Office of the State Council issued the Guiding Opinions for Promoting and Regulating Healthcare Big Data Application and Development* (《關於促進和規範健康醫療大數據應用發展的指導意見》) (hereinafter referred to as the “Guiding Opinions”) on 24 June 2016, which vigorously promotes the interconnection, integration, disclosure and sharing of the governmental healthcare information systems and the public healthcare data, with the aim to eliminate the deficiency of information, actively foster an environment which would promote the safe and innovative application of the healthcare data, explore new service models and cultivate new development patterns through “Internet + Healthcare”.

The Guiding Opinions state that, the development goal is to establish a platform to provide the national and provincial population with health information and national-wide platform for drug bidding and procurement business, basically, forming an inter-departmental healthcare information sharing pattern by the end of 2017. By 2020, a tiered public platform with national medical and health information will be established, thus realizing inter-departmental and inter-regional sharing of basic information such as population, legal person and geographic space and the integration of related data resources including medical treatment, medicine, healthcare and health information. In a regional setting, the following will be achieved: (i) establishing 100 regional clinical information demonstration centers with the existing resources; (ii) enabling the possession of electronic health data and health cards for the urban and rural residents; (iii) constantly improving policies and regulations, safety protection and refining the system.

In view of this, through cooperation with Zhonghe Beidou, the Company can promote the integration of pharmaceutical and modern technology with its own strength, and implement the “pharmaceutical and Beidou big data, development of health-related big data and healthcare management service” project, so as to realize the connection between medical science and technology and big data, to develop smart medical care and health services and to build up health Beidou big data. In 2017, the Company intends to initiate business development in Anhui, Hebei and Jilin provinces, including the development of the operation of the Beidou Campus security and healthcare big data in Anhui Province, the development of Beidou environmental big data applications in haze monitoring, testing, evaluation etc. and usage of Beidou pension health services in Hebei and Jilin province. Meanwhile, the Company will establish the Beidou Data Center accordingly to provide support for the such business development. The Directors consider that pharmaceutical and Beidou big data, development of health-related big data and healthcare management service have great market potential and good earnings prospect.

Last but not the least, I would like to express my heart-felt gratitude on behalf of the Board to our management teams and all the staff for their continuous contribution and unfailing hard work during the year. Under such a difficult operating environment which needs exploration, the Group will continue to join forces as a unity to overcome the challenges. I have to thank shareholders for their ongoing support to the Group. We will continue with our hard work, devotion and pioneering efforts to enhance the profitability and generate satisfactory return for our shareholder.

By Order of the Board
Wang Shaoyan
Chairman

Beijing, the PRC
5 March 2017

The Directors are pleased to present their report together with the audited consolidated financial statements of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "Group") for the year ended 31 December 2016.

COMPANY ORGANISATION

The Company was incorporated in the People's Republic of China (the "PRC") on 20 November 1998 as a privately owned company with limited liability. On 30 June 2000, the Company was converted into a joint stock company with limited liability in the PRC.

The Company's H shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 February 2002.

PRINCIPAL ACTIVITIES

The Group's business is classified into four main segments: (i) pharmaceutical and Beidou big data, development of health-related big data and healthcare management service; (ii) planting, cultivation and sale of Chinese herbs; (iii) General trading; and (iv) development, manufacture and sale of medicines.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2016 can be found in the Management Discussion and Analysis as set out on pages 15 to 16 of this annual report. An indication of likely future developments in the Group's business can be found in the Chairman's Statement as set out on pages 3 to 8 of this annual report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk and uncertainties facing the Group are set out in the sections of "Chairman's Statement", "Management Discussion and Analysis" and note 29(b) to the consolidated financial statements of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The fundamental tasks of senior management of the Group have always been leading the management to concern environmental protection, performing social responsibility as an enterprise citizen, strengthening corporate governance, promoting healthy and orderly development of the Group, and creating more economic value and social utility for stakeholders such as consumers, upstream suppliers, downstream distributors, shareholders, potential investors, management, employees, communities and even the environment.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the Group has maintained a good relationship with its stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2016 is set out in the section of "Financial Summary" of this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The approximate percentages of purchases and sales for the year ended 31 December 2016 attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier 45%
- five largest suppliers combined 99%

Sales

- the largest customer 71%
- five largest customers combined 100%

None of the Directors, supervisors, their close associates (as defined under the GEM Listing Rules) or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) of the Company had an interest in the major suppliers or customers noted above.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

RESERVES

Movement of the reserves of the Group and the Company during the year ended 31 December 2016 is set out in the consolidated statement of change in equity on page 33 and Note 31 to the consolidated financial statements respectively.

As of 31 December 2016, there was no reserves available for distribution as calculated under the statutory provisions of the PRC to equity shareholder of the Company.

FIXED ASSETS

Details of the movements of fixed assets of Group are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movement of share capital of the Company are set out in Note 24 to the consolidated financial statements.

ISSUANCE OF NEW H SHARES AND DOMESTIC SHARES

(1) Placing of new H shares under general mandate

On 24 May 2016, the Company and Yicko Securities Limited (the "Placing Agent") entered into the conditional placing agreement, pursuant to which the Placing Agent conditionally agreed to procure not less than six placees, on a best efforts basis, to subscribe for and purchase an aggregate of up to 41,400,000 new ordinary H shares of the Company (the "Placing"). For the conditions precedent and the reasons for the Placing, please refer to the announcement of the Company dated 24 May 2016.

On 20 September 2016, the Placing was completed and an aggregate of 41,400,000 H shares of the Company (with an aggregate par value of RMB4,140,000) were allotted and issued to not less than six placees at the placing price of HK\$0.97 per H share.

The aggregate gross proceeds from the Placing amounted to approximately HK\$40,158,000 (equivalent to approximately RMB34,471,000) and the aggregate net proceeds from the Placing (after deducting all applicable costs and expenses, including commission and levies) amounted to approximately HK\$38,094,000 (equivalent to approximately RMB32,697,000). The net placing price per H share was approximately HK\$0.92.

As set out in the announcement of the Company dated 24 May 2016, the net proceeds were intended to be used as general working capital to finance the existing businesses of the Group and investments in any potential business opportunities. As at 31 December 2016, approximately HK\$4,376,000 (equivalent to approximately RMB3,795,000) was used as general working capital of the Group and approximately HK\$13,837,000 (equivalent to approximately RMB12,000,000) was used for investment in the JV company in Tianjin, details of which are set out in the announcement of the Company dated 10 May 2016.

(2) Placing of new domestic shares under general mandate

On 13 July 2016, the Company entered into three conditional subscription agreements with three subscribers (the "Subscribers") respectively pursuant to which the Company conditionally agreed to allot and issue an aggregate of 70,000,000 new domestic shares of the Company to the Subscribers at a price of RMB0.89 per domestic share (the "Subscription"). For the conditions precedent and the reasons for the Subscription, please refer to the announcement of the Company dated 13 July 2016.

On 11 November, 2016, the Subscription was completed and an aggregate of 70,000,000 domestic shares (with an aggregate par value of RMB7,000,000) were issued to the Subscribers at the price of RMB0.890 per domestic share. The aggregate gross proceeds from the Subscription amounted to approximately RMB62,300,000 (equivalent to approximately HK\$71,022,000) and net proceeds from the Subscription (after deducting all applicable costs and expenses) amounted to approximately RMB62,034,000 (equivalent to approximately HK\$70,715,000). The net issuance price per domestic share was RMB0.886.

As set out in the announcement of the Company dated 13 July 2016, the net proceeds from the Subscription were intended to be used for business development and general working capital of the Group. As at 31 December 2016, approximately HK\$30,389,000 (equivalent to approximately RMB26,355,000) was used as general working capital of the Group.

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this report are as follows:

Executive Directors

Mr. Wang Shaoyan (Appointed on 10 January 2016)
Ms. Cui Bingyan (Appointed on 10 January 2016)
Mr. Qin Haibo
Ms. Xu Dongmei (Resigned on 10 January 2016)
Ms. Guo Feng (Resigned on 10 January 2016)

Non-executive Directors

Mr. Guo Aiqun (Appointed on 10 January 2016)
Mr. Cao Yang (Appointed on 13 April 2016)
Mr. Zhang Jinlong (Appointed on 10 January 2016 and Resigned on 13 April 2016)

Independent non-executive Directors

Mr. Zhao Zhen Xing
Mr. Chen Youfang (Appointed on 10 January 2016)
Ms. Hui Lai Yam
Ms. Niu Shu Min (Resigned on 10 January 2016)

In accordance with the Articles of Association of the Company, except the chairman of the Board, all Directors will retire every three years and, being eligible, may offer themselves for re-election at the annual general meeting of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and supervisors of the Company has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

RETIREMENTS SCHEME, PERSONNEL AND PAYROLL

Particulars of the retirement scheme of the Group are set out in Note 12 to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the year ended 31 December 2016, there is no contract entered into by the Company relating to the management and administration of the entire or any substantial part of the business of the Group.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Directors or supervisors of the Company or an entity connected with the Directors and the supervisors of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2016.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2016 are set out in Note 23 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group had no material related party transactions, which constituted connected transactions under Chapter 20 of the GEM Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December, 2016, none of the Directors, supervisors ("Supervisors") and chief executives of the Company had interests and short positions in the shares (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December, 2016, the Group was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors or Supervisors, as at 31 December, 2016, the persons or companies (not being a Director, Supervisor or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follow:

Long positions in Shares

Name	Number of domestic shares held	Approximate percentage of shareholding (%)
Beijing Bao Ying Chuang Fu Investment Management Centre* (Note)	398,534,660	46.45
Guo Feng (Note)	137,611,830	16.04

Note:

Pursuant to the letters of intent entered into between Beijing Baoying Chuangfu Investment Management Center (Limited Partnership) (“Beijing Baoying”) and Guo Feng (“Ms. Guo”) and Zhang Yabin (“Mr. Zhang”) respectively (the “Letters of Intent”):

- (1) Ms. Guo and Beijing Baoying have agreed to enter into (i) a share transfer agreement before 31 December 2016 pursuant to which Ms. Guo shall sell, and Beijing Baoying shall purchase, an aggregate of 137,611,830 Domestic Shares at RMB0.1674 per domestic share for an aggregate consideration of RMB23,036,220, and (ii) a share pledge agreement pursuant to which Ms. Guo shall pledge an aggregate of 137,611,830 Domestic Shares to Beijing Baoying; and
- (2) Mr. Zhang and Beijing Baoying have agreed to enter into (i) a share transfer agreement before 31 July 2016 pursuant to which Mr. Zhang shall sell, and Beijing Baoying shall agree to purchase, an aggregate of 1,618,960 Domestic Shares at RMB0.1674 per domestic share for an aggregate consideration of RMB271,014, and (ii) a share pledge agreement pursuant to which Mr. Zhang shall pledge an aggregate of 1,618,960 Domestic Shares to Beijing Baoying. As at the date of this report, the aforesaid share transfer agreements have not been entered into.

The Letters of Intent are legally-binding on each party under the PRC laws.

Taking into account (i) the 137,611,830 Domestic Shares held by Ms. Guo and the 1,618,960 domestic shares held by Mr. Zhang to be transferred to Beijing Baoying pursuant to the Letters of Intent; (ii) the 398,534,660 Domestic Shares beneficially held by Beijing Baoying, Beijing Baoying shall hold an aggregate of 537,765,450 Domestic Shares.

Save as disclosed above, as at 31 December, 2016, the Directors were not aware of any other person who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTERESTS

During the year ended 31 December 2016 and as at the date of this report, none of the Directors, Supervisors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had an interest in any business that competed or may compete, either directly or indirectly, with the business of the Group, nor any conflicts of interest which he/she has or may have with the Group.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Group. The audit committee comprises three members, the current chairman of the committee is Mr. Zhao Zhen Xin, an independent non-executive Director, and the other members are Mr. Chen Youfang (Appointed on 10 January 2016 to replace Miss Niu Shu Min who resigned on 10 January 2016) and Miss Hui Lai Yam, both of whom are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Group’s audited results for the year ended 31 December 2016 and was of the opinion that the preparation of the audited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2016, save for the deviation from code provision A.4.2 as disclosed in the Corporate Governance Report, the Group had complied with all code provisions of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules.

STANDARD OF DEALINGS AND MODEL CODE OF PRACTICE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a model code of practice with standards not lower than those required as set out in Rules 5.48 to 5.67 of the GEM Listing Rules for securities transactions by Directors. The Company has confirmed after making due enquiries with the Directors in accordance with the code of practice, that all the Directors had complied with the standard of dealings and model code of practice in relation to securities transaction by Directors during the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the commencement of trading of the H shares of the Company on GEM on 28 February 2002, the Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period of the Group are set out in note 30 to the consolidated financial statements of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 20 to the GEM Listing Rules will be published within three months after the publication of the annual report of the Company.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

INDEPENDENT AUDITORS

The consolidated financial statements have been audited by Pan-China (H.K.) CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

The Company has not changed its external auditors during each of the years ended 31 December 2014, 2015 and 2016.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders for their full support.

By Order of the Board
Wang Shaoyan
Chairman

Beijing, the PRC
5 March 2017

Management Discussion and Analysis

For the year ended 31 December 2016, turnover amounted to approximately RMB29,480,000 (2015: RMB2,000), gross profit amounted to approximately RMB9,210,000 (2015: RMB1,000), overall gross profit margin was approximately 31.24%. Other revenue decreased by approximately 23.02% from approximately RMB12,643,000 to approximately RMB9,733,000, mainly due to the following factors:- Imputed interest income decreased by approximately RMB166,000, rental income decreased by approximately RMB908,000, adjustment on revision of estimated receipts on financial assets decreased by approximately RMB106,000. Meanwhile, in 2015, there were reversal of overprovision of penalty of approximately RMB1,009,000 and waiver of short-term borrowing of approximately RMB5,000,000 and such items were absent in 2016. Moreover, during 2016, there were interest income from bank deposits amounting to approximately RMB15,000 and net exchange gain and written back of trade payables amounting to approximately RMB783,000 and RMB3,488,000 respectively while there was no such items in 2015. Gain arising from change of fair value less costs to sell of biological assets decreased by approximately 21.21% to approximately RMB1,300,000 (2015: approximately RMB1,650,000). Impairment loss of intangible assets in respect of forest land use right was approximately RMB4,550,000 (2015: nil). General, administrative and operating expenses increased by 142.21% from approximately RMB6,094,000 to approximately RMB14,760,000 due to additional employment cost for development of new business. Finance costs decreased by 26.84% to approximately RMB804,000. Profit attributable to shareholders amounted to approximately RMB255,000 (2015: approximately RMB7,101,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2016, the Group had total assets of approximately RMB216,961,000 which were financed by current liabilities of approximately RMB6,251,000, long-term liabilities of approximately RMB22,500,000, shareholders' equity of approximately RMB180,336,000 and non-controlling interests' equity of approximately RMB7,874,000.

The Group generally services its debts primarily through cash generated from its operations. As at 31 December, 2016, the Group had cash and bank balances of approximately RMB61,702,000.

As at 31 December, 2016, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 22.44 : 1, so the Directors believed that the Group does not have liquidity problem. The asset-liability ratio of the Group, defined as a ratio between total debts and total assets, was 13.25%.

BORROWINGS

As at 31 December 2016, the total borrowings of the Group amounted to approximately RMB22,500,000 (31 December 2015: approximately RMB22,500,000). The borrowings were denominated in Reminbi and bore interest at floating rate.

TREASURY POLICIES

The Group adopts a conservative approach towards treasury policies. In selling its products, the Group may require new customers to make advance payment equivalent to approximately 45% of their purchases. The general credit terms in relation to the accounts receivable of the Group is 90 days. In certain circumstance, the credit period may be extended to appropriate level after relevant due diligence investigation. In determining the length of the credit term extended to any specific customer, the Group will consider the reputation of the customer, the length of business relationship with the customer and its past payment record. The Group's management also puts endeavors on credit control on its customers by closely monitoring the outstanding balance owed by them. The actions taken by the Group include conducting monthly reviews on accounts receivable, following up each debtor overdue more than 90 days and enforcing the collection of outstanding balance of accounts receivable. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of financial condition of its customers.

To manage liquidity risk, the management closely monitors the liquidity position to ensure that the liquidity position of the Group can meet its funding requirements.

EMPLOYEE INFORMATION

Remuneration of the Group's employees was determined by reference to the performance, qualification and experience of the relevant staff. Based on operating result, a discretionary incentive bonus based on individual performance may be distributed to reward their contributions to the Group. The management is of the opinion that employees are the most treasured assets of the Group. Accordingly, the Group has actively created a corporate environment to nurture them to their full potentials. As at

Management Discussion and Analysis

31 December 2016, total heads of staff was 37 (2015: 20), payroll costs of the Group for the year ended 31 December 2016 amounted to approximately RMB3,189,000 (2015: RMB858,000). Other employee benefits, including retirement benefits, medical insurance and housing fund contributions, remained at appropriate levels. Various training and development courses were also offered to enable employees to upgrade their skills.

A remuneration committee is set up for reviewing the Group's emolument policy and structure for the remuneration of the Directors and senior management of the Group. The remunerations of the Directors and senior management are determined with reference to the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

SIGNIFICANT INVESTMENT

On 28 November 2016, the Company (as purchaser) entered into the assets transfer agreement with Beijing Heng Yuan Ji Ye Investment Management Co., Ltd.* (北京恒源基業投資管理有限公司), pursuant to which the Company agreed to acquire the property located in Chaoyang District, Beijing, the PRC with a construction area of 592.13 square metres at the aggregate consideration of RMB66,600,000 (the "Acquisition"). The Acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 16 January 2017. For details, please refer to the announcements of the Company dated 28 November 2016 and 16 January 2017 and the circular of the Company dated 29 November 2016.

DISPOSAL OF MAJOR ASSETS

On 28 November 2016, the Company (as vendor) entered into the assets transfer agreement with Jilin Chun Hua Qiu Shi Agricultural Development Co., Ltd.* (吉林春華秋實農業開發有限公司) (as purchaser) to dispose of the assets previously used by the Group in the GMP Chinese medicine business at the aggregate consideration of RMB48,800,000. For details, please refer to the announcement of the Company dated 28 November 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 9 May 2016, the Company entered into the investment cooperation with Beijing Shangzheng Technology Co. Ltd.* (北京上正科技有限公司) ("Beijing Shangzheng Technology") to establish a JV company. The Company and Beijing Shangzheng Technology shall contribute RMB12,000,000 and RMB8,000,000 and shall hold the equity interests in the JV company as to 60% and 40%, respectively. For details, please refer to the announcement of the Company dated 10 May 2016.

On 28 November 2016, the Company and Zhonghe Beidou Information Technology Co., Ltd.* (中和北斗信息技術股份有限公司) ("Zhonghe Beidou") entered into the investment cooperation agreement to establish a JV company. The registered capital of the JV Company is RMB50,000,000. The Company and Zhonghe Beidou shall contribute RMB45,000,000 and RMB5,000,000 and shall hold the equity interests in the JV company as to 90% and 10% respectively. For details, please refer to the announcement of the Company dated 28 November 2016.

SEGMENT INFORMATION

Details of segment information of Group are set out in Note 5 to the consolidated financial statements.

CHARGES ON ASSETS

As at 31 December 2016 and 2015, no assets of the Group were pledged as security.

FOREIGN EXCHANGE RISK

Since all of the income and most of the expenses of the Group are denominated in Renminbi, as at 31 December 2016 the Directors consider the impact from foreign exchange exposure of the Group is minimal. As at the date of this report, the Group has no hedging policy with respect to the foreign exchange exposure.

CONTINGENT LIABILITIES

Up to the date of this report, the Group did not have any material contingent liabilities.

DIRECTORS

Executive Directors

Mr. Wang Shaoyan (appointed on 10 January 2016) (Mr. Wang), aged 34, currently serves as the general manager of Beijing Shanshi Media Technology Limited* (北京山石傳媒科技有限公司). Mr. Wang has prior experience as a project manager, deputy general manager and general manager of Beijing Shiji Fengqing Broadcast Limited* (北京世紀風情文化傳播有限公司) from 2007 to 2014. He obtained a Master of Science degree in mechanical and manufacturing engineering from the University of Birmingham in 2007 and a Bachelor of Business Administration degree from the West Coast University in 2005. Mr. Wang currently is also the chairman of the Board.

Ms. Cui Bingyan (appointed on 10 January 2016) (Ms. Cui), aged 43, currently serves as the general manager of Shenzhen Longyuan Shanzhuang Property Management Limited* (深圳市龍園山莊物業管理有限公司). Ms. Cui has prior experience as the general manager of Shenzhen Zhonghao (Group) Company Limited* (深圳中浩(集團)股份有限公司) from 1996 to 1998, the office manager of Haerbin Gongbai Holding Limited* (哈爾濱市工百集團) from 1993 to 1996, and a veteran of the 81156 army hospital of People's Liberation Army 13th Army* (中國人民解放軍第十三集團軍81156部隊醫院) from 1989 to 1992. She obtained a Master of Business Administration degree from the University of Northern Virginia in 2007. Ms. Cui completed an advanced seminar in property asset management at Tsinghua University in 2004. Ms. Cui obtained a bachelor's degree in law from National University of Defense Technology in 2004 and a college degree in history from Heilongjiang Institute of Education in 1996.

Mr. Qin Haibo, aged 45, graduated from Changchun Tax Institute (長春稅務學院*) in Accounting (會計學專業*). He is an accountant in the PRC and currently is the chief financial officer of the Company. He has been engaged in the production and sales of Chinese medicine products in the PRC for about eighteen years. He was appointed as an executive Director on 27 November 2012.

Ms. Xu Dongmei (appointed on 25 June 2015 and Resigned on 10 January 2016), aged 44, was appointed as the chairman of the Company on 25 June 2015. She graduated from Jilin Institute of Chemical Technology* (吉林化工學院) in Organic Chemistry* (有機化學專業). She is currently the deputy general manager of Jilin Fareast Medical Industry Limited* (吉林遠東藥業集團股份有限公司). She has been engaged in pharmaceutical industry in the PRC for over thirteen years.

Ms. Guo Feng (resigned on 10 January 2016), aged 42, is currently a director of 吉林省高科食用菌產業開發有限責任公司 (Jilin Gao Ke Mushroom Industry Development Co., Ltd*). She has been engaged in pharmaceutical industry in the PRC for over ten years. Ms. Guo was appointed as an executive Director and compliance officer on 11 December 2009.

Non-executive Directors

Mr. Guo Aiqun (appointed on 10 January 2016) (Mr. Guo), aged 46, has been the general manager of Datong Hengji Industry Company Limited* (大同市恒吉實業有限責任公司) since 2004. Mr. Guo has prior experience as a vice-manager of Qinhuangdao of Jinhua branch of headquarter of Shanxi Coal Transportation Limited* (山西省煤炭運銷總公司晉華分公司秦皇島公司) from 2001 to 2003, a business manager of the sale center of Qinhuangdao of Datong branch of headquarter of Shanxi Coal Transportation Limited* (山西省煤炭運銷總公司大同分公司秦皇島銷售中心) from 1998 to 2000, a business manager of Shanxi Coal Import and Export Company Limited* (山西省煤炭進出口公司) from 1995 to 1998, an office secretary at Shanxi Coal Geology Company Limited* (山西省煤炭廳地質公司) from 1992 to 1995, a staff of the Shanxi Poverty Alleviation office* (山西省省直中委扶貧工作隊) from 1991 to 1992, and a staff at the machine repair factory of Shanxi Coal Geology Company Limited* (山西省煤炭廳地質公司) in 1991. He graduated from the Shanxi Vocation and Technology College of Coal in 1991 and obtained a bachelor's degree in law from the Central Party School of the Communist Party of China in 2004.

Mr. Cao Yang (appointed on 13 April 2016), aged 37, obtained a bachelor's degree in automation from Northeastern University, the People's Republic of China (中國東北大學) and has worked in the electronic industry for 14 years. Mr. Cao has prior experience as an engineer at Xu Dian (Suzhou) Technology Company Limited* (旭電(蘇州)科技有限公司) from 2002 to 2005, a manager at Suzhou Sheng Ze Electronic Company Limited* (蘇州盛澤電子有限公司) from 2005 to 2006, and a general manager at Kemaida (Beijing) Electronic Company Limited* (科邁達(北京)電子有限公司) from 2006 and onwards. Mr. Cao has entered into a letter of appointment with the Company for an initial term of three years from 13 April 2016.

Profile of Directors, Supervisors and Senior Management

Mr. Zhang Jinlong (appointed on 10 January 2016 and resigned on 13 April 2016) (Mr. Zhang), aged 35, has been practising as a lawyer at Hebei Jijunhua law firm* (河北紀君華律師事務所) since 2013. Mr. Zhang has prior experience as a legal assistant at Beijing Lantai law firm* (北京市蘭臺律師事務所) from 2003 to 2013, and a legal worker at Chengde Shuangqiao law firm* (承德市雙橋法律事務所) from 2002 to 2003. Mr. Zhang obtained a higher diploma and bachelor's degree in law from Hebei University in 2001 and 2003 respectively, and a master's degree in law from the North China University of Technology in 2013.

Independent non-executive Directors

Mr. Zhao Zhen Xing, aged 73, was appointed as an independent non-executive director of the Company on 30 September 2004. He graduated from College of Jilin Provincial Finance and banking. He became a registered auditor of PRC in 1994, and in July 1997 he was recognized as a senior accountant of PRC. He was the manager of the internal audit department of Jilin Tansu Group, Jilin Tansu Company Limited during 1991 to 2001. He served as a supervisor of Jilin Tansu Group, Jilin Tansu Company Limited during 1997 to 2001.

Mr. Chen You Fang (appointed on 10 January 2016) (Mr. Chen), aged 25, has been serving as an assistant to the chief executive officer and a supervisor at China Wit Media Co., Ltd. (深圳市中匯影視文化股份有限公司) since 2014. Mr. Chen has prior experience as the deputy general manager of Shanghai Xitian Youxi Script Creative Studio (Limited Partnership)* (上海喜天遊戲劇本創意工作室(有限合夥)) from 2013 to 2014, the chairman of Beijing Lihua Xingguang Television Culture Co., Ltd.* (北京麗華星光影視文化有限公司) and an executive director of Canada Huamei Mining Limited* (加拿大華美礦業公司) from 2012 to 2013. He obtained a Bachelor of Arts degree from the University of Washington (Seattle campus) in 2014.

Ms. Hui Lai Yam (appointed on 19 June 2015), aged 47, has worked in the accounting industry for 23 years. She graduated from Xiamen University in Accounting. Ms. Hui is a Certified Dealmaker endorsed by the China Mergers and Acquisition Association.

Ms. Niu Shu Min (resigned on 10 January 2016), aged 76, was appointed as an independent non-executive director of the Company on 11 July 2001. After graduating from the chemistry faculty of Shenyang Medical Institute, she has worked as the deputy manager of Jilin Pharmaceutical Company, and the deputy director and thereafter director of the JDA until she retired in June 1999. She has over 4 years of experience in financing. Currently she is the vice president and general secretary of the Association of Pharmaceutical Quality Control of the PRC and a standing committee member of Jilin People's Political Consultative Conference.

SUPERVISORS

Ms. Yang Lixue (appointed on 10 January 2016), was the Chairman of the supervisory committee of the company aged 34, has worked in the finance and risk management industry for approximately 11 years. Since 2011, she has been the deputy general manager of the investment and development department of Coastal Greenland Limited (沿海綠色家園有限公司, HKEx stock code: 1124). In 2011, Ms. Yang was the corporate clients manager of the corporate banking and financial institutions department of Bank of China (Hong Kong branch). From 2009 to 2010, Ms. Yang was a risk management analyst at the risk management department of the Bank of Communications (Hong Kong branch). From 2008 to 2009, Ms. Yang was an analyst at the enterprise risk management and consulting department of Deloitte Touche Tohmatsu in Hong Kong and Deloitte Touche Tohmatsu Certified Public Accountants LLP in Beijing. From 2004 to 2005, Ms. Yang worked as a clerk at the National Accountant Assessment and Certification Centre of the Ministry of Finance PRC. From 2013 to 2015, Ms. Yang was a part-time postgraduate student studying in the appreciation and market collection management of fine arts at the China Central Academy of Fine Arts. Ms. Yang graduated from the International Capital Market Association Centre of University of Reading with a Master of Science degree in International Securities, Investment and Banking in 2007, and from the Lingnan (University) College of Sun Yat-Sen University with a bachelor's degree in finance in 2004.

Ms. Meng Shuhua, aged 45, has been serving as a manager of the human resources department of the Company since 2005. Ms. Meng has prior experience as a staff of the personnel department of Jilin Fareast Medical Industry Limited* (吉林遠東藥業集團股份有限公司) from 1991 to 2005 and served on the 81112 army of the People's Liberation Army* (人民解放軍第81112部隊) from 1987 to 1990. Ms. Meng has completed high school education.

Profile of Directors, Supervisors and Senior Management

Ms. Lin Xiarong (appointed on 10 January 2016), aged 36, has worked in the accounting industry for approximately 11 years. Since 2009, she has been serving as the financial manager of Shenzhen Longyuan Shanzhuang Industrial Development Company Limited* (深圳市龍園山莊實業發展有限公司). Ms. Lin is a certified senior accountant accredited by the International Profession Certification Association. From 2004 to 2008, Ms. Lin was an accountant with Shenzhen Longyuan Shanzhuang Property Management Company Limited* (深圳市龍園山莊物業管理有限公司). Ms. Lin graduated from Shenzhen University in Business Administration in 2005.

Mr. Zhang Ya Bin (resigned on 10 January 2016 as a supervisor of the company), aged 54, was the chairman of the supervisory committee of the Company. Mr. Zhang joined the Company on 28 June 2000. He does not take any active role in the Company. He graduated from Northeast Normal University majoring in political studies and is currently a director of FE Holdings, Hailaer and Yakeshi respectively. Mr. Zhang was the assistant to the chairman of FE Holdings and a deputy secretary of the communist party committee of that company.

Mr. Chen Lin Bo (resigned on 10 January 2016 as a supervisor of the company), aged 61, was a supervisor of the Company who joined the Company on 28 June 2000. He was responsible for infrastructure project of the Company. He graduated from Changchun Traditional Chinese Medical College, majoring in medical studies. He had been the deputy manager of the Company for years. He was also in charge of the infrastructure project of the Company.

SENIOR MANAGEMENT

Mr. Lam Kai Yeung, aged 47, graduated from Xiamen University in 1990 with a bachelor's degree in Economics. Mr. Lam obtained a master degree in business administration from Oxford Brookes University in 2010. Mr. Lam is currently a fellow of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Lam has been the secretary of the board of directors of the Company since 28 November 2016.

Ms. Zhu Nan, aged 43, graduated from Beijing Xinghua University (北京興華大學) with a bachelor's degree in July 2016. She obtained the qualification of tax accountant in the People's Republic of China in March 2012. She has been the financial manager of the Company since July 2016 and was appointed as the chief financial officer of the Company on 28 November 2016.

Report of the Supervisory Committee

To the Shareholders:

The supervisory committee (“we” or “Supervisory Committee”) of Northeast Tiger Pharmaceutical Co., Ltd. (the “Company”), in compliance with the provisions of the Company Law of the People’s Republic of China (the “PRC Company Law”), the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, under their fiduciary duty, took up an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

During the year ended 31 December 2016, Supervisory Committee had reviewed cautiously the operation and development plans of the Group and provided reasonable suggestions and opinions to the board (the “Board”) of directors (the “Directors”) of the Company. It also strictly and effectively monitored and supervised the Group’s management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors and the audited consolidated financial statements for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Group were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Group. During the period under review, there is no transactions between the Company and its connected persons. Up till now, none of the Directors, general manager and senior management staff had been found abusing their authority, damaging the interests of the Group and infringing upon the interests of its shareholders and employees. None of them were found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Group in 2016 and has great confidence in the future of the Group.

By Order of the Supervisory Committee
Yang Lixue
Chairman

Beijing, the PRC
5 March 2017

INTRODUCTION

Subject to the deviation as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules by establishing a formal and transparent procedure to protect and maximize the interests of shareholders during the period under review.

BOARD OF DIRECTORS

The Board currently consists of 3 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors:

Executive Directors

Mr. Wang Shaoyan (*Chairman*) (Appointed on 10 January 2016)

Ms. Cui Bingyan (Appointed on 10 January 2016)

Mr. Qin Haibo

Ms. Xu Dongmei (Resigned on 10 January 2016)

Ms. Guo Feng (Resigned on 10 January 2016)

Non-executive Directors

Mr. Guo Aiqun (Appointed on 10 January 2016)

Mr. Cao Yang (Appointed on 13 April 2016)

Mr. Zhang Jinlong (Appointed on 10 January 2016 and resigned on 13 April 2016)

Independent non-executive Directors

Mr. Zhao Zhen Xing

Mr. Chen Youfang (Appointed on 10 January 2016)

Ms. Hui Lai Yam

Ms. Niu Shu Min (Resigned on 10 January 2016)

Each of the non-executive Directors and independent non-executive Directors shall be elected at a shareholders' general meeting, for a term of three years each. At the expiry of a director's term of office, the term is renewable upon re-election.

The Board is responsible for the Company's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

No corporate governance committee has been established and the Board is also delegated with the corporate governance functions under code provision D.3.1 of the Corporate Governance Code.

Details of the backgrounds and qualifications of the chairman of the Company and the other Directors are set out on pages 17 to 19 of this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship (including financial, business, family or other material or relevant relationship) among the members of the Board.

The Company has three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Zhao Zhen Xing, Mr. Chen Youfang and Miss Hui Lai Yam are the independent non-executive Directors. All of them were appointed for a term of three years and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

Under code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that no Director holding office as chairman shall be subject to retirement by rotation. Accordingly, as at the date of this report, the chairman of the Company is not subject to retirement by rotation. In order to comply with code provision A.4.2, others directors, once served their directorship for over three years will retire at the forthcoming annual general meeting of the company, and being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Group considers such Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules. All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

During the year under review, Mr. Wang Shaoyan was the chairman, who replaced Ms. Xu Dongmei (resigned on 10 January 2016); Ms. Cui Bingyan was the general manager, who replaced Ms. Guo Feng (resigned on 10 January 2016).

The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual during the year under review, the chairman's responsibility is to manage the Board while the chief executive officer's is to manage the business of the Group.

Training and Support for Directors

All Directors, including non-executive Directors and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance code.

BOARD MEETINGS

The Board held a full board meeting for each quarter. During the year ended 31 December 2016, a total of 16 Board meetings were held.

Directors Attendance Times

Mr. Wang Shaoyan (Appointed on 10 January 2016)	16
Ms. Cui Bingyan (Appointed on 10 January 2016)	16
Mr. Qin Haibo	15
Mr. Guo Aiqun (Appointed on 10 January 2016)	16
Mr. Cao Yang (Appointed on 13 April 2016)	12
Mr. Zhao Zhen Xing	15
Mr. Chen Youfang (Appointed on 10 January 2016)	16
Ms. Hui Lai Yam	13
Ms. Xu Dongmei (Resigned on 10 January 2016)	0
Ms. Guo Feng (Resigned on 10 January 2016)	0
Mr. Zhang Jinlong (Appointed on 10 January 2016 and resigned on 13 April 2016)	5
Ms. Niu Shu Min (Resigned on 10 January 2016)	0

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting.

GENERAL MEETINGS

During the year ended 31 December 2016, a total of 2 general meetings were held.

Details of the attendance of the general meetings are as follows:

Directors Attendance Times

Mr. Wang Shaoyan (Appointed on 10 January 2016)	2
Ms. Cui Bingyan (Appointed on 10 January 2016)	2
Mr. Qin Haibo	2
Mr. Guo Aiqun (Appointed on 10 January 2016)	1
Mr. Cao Yang (Appointed on 13 April 2016)	0
Mr. Zhao Zhen Xing	1
Mr. Chen Youfang (Appointed on 10 January 2016)	2
Ms. Hui Lai Yam	1
Ms. Xu Dongmei (Resigned on 10 January 2016)	1
Ms. Guo Feng (Resigned on 10 January 2016)	1
Mr. Zhang Jinlong (Appointed on 10 January 2016 and resigned on 13 April 2016)	1
Ms. Niu Shu Min (Resigned on 10 January 2016)	0

REMUNERATION COMMITTEE

The remuneration committee was established in August 2005. The current chairman of the committee is Mr. Wang Shaoyan, an executive Director, and other members are Mr. Cao Yang (non-executive Directors) (who replaced Zhang Jinlong who resigned on 13 April 2016) and Mr. Zhao Zhen Xing (independent non-executive Director).

Under Rule 5.34 of the GEM Listing Rules, a listed issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. It was not until August, 2005 that the Company established a remuneration committee as required under Rule 5.34 of the GEM Listing Rules.

The role and function of the remuneration committee included, among others, making recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and making recommendations to the Board for the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the period under review, 1 meeting of the remuneration committee was held during the year ended 31 December 2016. Details of the attendance of the meeting of the remuneration committee are as follows:

Members Attendance Times

Mr. Wang Shaoyan	1
Mr. Cao Yang (Appointed on 13 April 2016)	0
Mr. Zhao Zhen Xing	1
Mr. Zhang Jinlong (Resigned on 13 April 2016)	1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION COMMITTEE

The nomination committee was established in December 2012. The current chairman of the committee is Mr. Qin Haibo, an executive Director, and other members are Mr. Zhao Zhen Xing and Miss Hui Lai Yam, both of them are independent non-executive Directors. The duties of the nomination committee include, among others, formulating nomination policies and making recommendation to the Board regarding nomination, appointment and replacement of directors. The committee will also establish recruitment procedures, review the structure, number of members and composition of the Board and assess the independence of the independent non-executive directors. During the year ended 31 December 2016, the committee held 1 meeting.

Members Attendance Times

Mr. Qin Haibo	1
Mr. Zhao Zhen Xing	1
Ms. Hui Lai Yam	1

The committee considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year.

DIVERSITY OF THE BOARD

The Nomination Committee is responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process, financial controls, internal control and risk management systems of the Group and provide advice and comments on the Group's draft annual reports and accounts, half year reports and quarterly reports to Directors. The audit committee comprises three members, the current chairman of the committee is Mr. Zhao Zhen Xing, an independent non-executive Director and other members are Mr. Chen Youfang (who replaced Ms. Niu Shu Min who resigned on 10 January 2016) and Ms. Hui Lai Yam, both of them are independent non-executive Directors.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members Attendance Times

Mr. Zhao Zhen Xing	4
Mr. Chen Youfang (Appointed on 10 January 2016)	4
Ms. Hui Lai Yam	4
Ms. Niu Shu Min (Resigned on 10 January 2016)	0

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2016 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group for the year ended 31 December 2016 falls within the following band:

RM0 to RMB896,000	Number of individuals 4
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AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

During the year, the fees charged by Pan-China (H.K.) CPA Limited for audit services of the Group amounted to approximately RMB400,000 and the fees for non-audit services of the Group amounted to approximately RMB140,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. The statements of the external auditors of the Group, Pan-China (H.K.) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Report of Auditors on page 29 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. Such internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board had conducted a review on the effectiveness of the Group's internal control and risk management systems once during the year ended 31 December 2016 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. In light of the size and scale of the Group's businesses, the Board is also delegated with the responsibilities for the internal control of the Group and for reviewing its effectiveness. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

AUDITORS

During the year under review, the performance of the external auditors of the Group has been reviewed and Board proposed to put forward a resolution to reappoint Pan-China (H.K.) CPA Limited as the external auditors in the forthcoming annual general meeting.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has disclosed all necessary information to the shareholders and investors in compliance with GEM Listing Rules and uses a number of formal communications channels to communicate with shareholders and investors of the Company. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) the Company replying to the enquires from shareholders timely; (iv) updated and key information of the Company available on the website of the Company; (v) the Company's website offering communication channel between the Company and its shareholders and investors; and (vi) the Company's share registrar in Hong Kong providing services to the shareholders regarding all share registration matters.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Pursuant to article 57 of the articles of association of the Company, shareholder(s) holding 10% or more of the Company's issued shares carrying voting rights may make a request in writing for the convening of an extraordinary general meeting and the Board shall convene an extraordinary general meeting within two months of such requisition.

PROPOSALS AT GENERAL MEETINGS

Pursuant to article 59 of the articles of association of the Company, when the Company convenes an annual general meeting, shareholders holding 5% or more of the Company's issued shares carrying voting rights of the Company shall have the right to submit new proposals in writing, and the Company shall place matters in the proposals within the scope of functions and powers of the shareholders' general meeting on the agenda.

INQUIRY TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address: Room#812, level 8th, Golden Towers, Xueqing street #38, Haidian District, Beijing, P.R.China
Tel.: +86-10-82306830
Fax: +852-30200233
Email: general_office@northeasttiger.com

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2016.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2016, save as disclosed in the circulars of the Company dated 15 April 2016 and 29 December 2016, there had been no significant changes in the constitutional documents of the Company.

LOOKING FORWARD

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavor to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code on Corporate Governance Code introduced by the Stock Exchange.

Independent Auditor's Report

TO THE MEMBERS OF NORTHEAST TIGER PHARMACEUTICAL CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Northeast Tiger Pharmaceutical Co., Ltd. and its subsidiaries ("the Group") set out on pages 31 to 77, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter addressed in our audit
<p><i>Biological assets</i></p> <p>As disclosed in note 18 to the consolidated financial statements, the Group had biological assets of RMB26,278,000 as at 31 December 2016. The management of the Company engaged an independent valuer to assess the fair value of the biological assets as at 31 December 2016. The independent valuer had also engaged an expert to determine the quantity and age of the biological assets.</p> <p>The most significant assumptions in the valuation include the estimated quantities, age and the related market prices of biological assets applied. Due to high level of judgement involved as well as the significance of the assets to the Group's consolidated statement of financial position, this is considered to be a key audit matter.</p>	<ol style="list-style-type: none">1. We had discussed with the management of the Company, the independent valuer engaged by the Group ("Group's valuer") and ginseng expert engaged by the Group's valuer ("Ginseng expert") the valuation methodology, bases and assumptions used in determining the quantity, age of the biological assets and the fair value of the assets.2. We had assessed the reasonableness and appropriateness of the adopted methodology, bases and assumptions used. In respect of:<ul style="list-style-type: none">- quantity and age, we attended the physical count of biological assets to observe how management of the Group, the Group's valuer and Ginseng expert involved in determination of the results. We also checked the objectivity, competence and capability of the Group's valuer and Ginseng expert.

- market price, we checked on a sampling basis in the local ginseng market accompanied with the Group's valuer and Ginseng expert.

3. We had also engaged an external valuation specialist to assist us in evaluating the reasonableness and appropriateness of the valuation performed by the Group's valuer and Ginseng expert.

Impairment of intangible asset – Breeding right

As disclosed in note 15 to the consolidated financial statements, the Group holds breeding right of RMB 6,790,000 as at 31 December 2016. The management of the Company engaged an independent valuer in assisting the management to determine recoverable amount of the breeding right as at 31 December 2016.

A number of key assumptions were made by the management of the Company including related prices information and estimated land use life adjusted coefficient. Due to high level of judgement involved as well as the significance of the assets to the Group's statement of financial position, this is considered to be a key audit matter.

1. We discussed with the management of the Company, the independent professional valuer engaged by the Group ("the Group's valuer") the valuation methodology, bases and assumptions used in determining the recoverable amount of the breeding right.
2. We checked the objectivity, competence and capability of the valuer.
3. We assessed the reasonableness and appropriateness of the adopted methodology, bases and assumptions used in arriving at the recoverable amount of the breeding right.
4. In addition to discussion with the valuer engaged by the Group, we engaged another independent valuation specialist to assist us in evaluating the reasonableness and appropriateness of the valuation performed by the management of the Company and the Group's valuer.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Tsang Chiu Keung.



PAN-CHINA (H.K.) CPA LIMITED

Certified Public Accountants

Tsang Chiu Keung

Practising Certificate Number P04968

11/F., Hong Kong Trade Centre,
161-167 Des Voeux Road, Central,
Hong Kong S.A.R., China

5 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	6	29,480	2
Cost of sales		(20,270)	(1)
Gross profit		9,210	1
Other income	6	9,733	12,643
Gain arising from changes of fair value less costs to sell of biological assets	18	1,300	1,650
Impairment loss of intangible assets	15	(4,550)	-
General, administrative and operating expenses		(14,760)	(6,094)
Finance costs	7	(804)	(1,099)
Profit before income tax expense	8	129	7,101
Income tax expense	9	-	-
Profit for the year		129	7,101
Other comprehensive income			
Items that will not be reclassified to profit or loss			
- Surplus on revaluation of buildings held for own use		4,190	3,744
Other comprehensive income for the year		4,190	3,744
Total comprehensive income for the year		4,319	10,845
Profit/(loss) for the year attributable to:			
- Owners of the Company		255	7,101
- Non-controlling interests		(126)	-
		129	7,101
Total comprehensive income/(expense) for the year attributable to:			
- Owners of the Company		4,445	10,845
- Non-controlling interests		(126)	-
		4,319	10,845
Dividends	10	-	-
Earnings per share	11		
Basic		0.03 cents	0.95 cents
Diluted		N/A	N/A

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

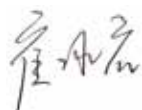
AS AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-Current Assets			
Intangible assets	15	7,005	12,132
Land use rights	16	8,872	9,118
Property, plant and equipment	17	38,991	35,192
Trade and other receivables	20	21,796	22,316
		76,664	78,758
Current Assets			
Biological assets	18	26,278	24,978
Inventories	19	2,657	–
Trade and other receivables	20	49,660	5,156
Cash and bank balances	21	61,702	483
		140,297	30,617
Total Assets		216,961	109,375
Less: Current Liabilities			
Trade and other payables	22	6,251	5,715
		6,251	5,715
Net Current Assets		134,046	24,902
Non-Current Liabilities			
Long-term borrowings	23	22,500	22,500
		22,500	22,500
Net Assets		188,210	81,160
Capital and Reserves			
Share capital	24	85,805	74,665
Reserves		94,531	6,495
Total Equity Attributable to Owners of the Company		180,336	81,160
Non-controlling interests		7,874	–
Total Equity		188,210	81,160

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 5 March 2017 and signed on behalf of the Board by:



Wang Shao Yan
Director



Cui Bing Yan
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Properties revaluation reserve	Statutory reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	74,665	19,027	11,326	-	9,685	(44,388)	70,315	-	70,315
Profit for the year	-	-	-	-	-	7,101	7,101	-	7,101
Other comprehensive income for the year	-	-	-	3,744	-	-	3,744	-	3,744
Total comprehensive income for the year	-	-	-	3,744	-	7,101	10,845	-	10,845
As at 31 December 2015 and at 1 January 2016	74,665	19,027	11,326	3,744	9,685	(37,287)	81,160	-	81,160
Profit/(loss) for the year	-	-	-	-	-	255	255	(126)	129
Other comprehensive income for the year	-	-	-	4,190	-	-	4,190	-	4,190
Total comprehensive income/(expense) for the year	-	-	-	4,190	-	255	4,445	(126)	4,319
Issue of domestic shares under shares placing	7,000	55,034	-	-	-	-	62,034	-	62,034
Issue of H shares under shares placing	4,140	28,557	-	-	-	-	32,697	-	32,697
Capital injection to a subsidiary	-	-	-	-	-	-	-	8,000	8,000
As at 31 December 2016	85,805	102,618	11,326	7,934	9,685	(37,032)	180,336	7,874	188,210

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	129	7,101
Depreciation of property, plant and equipment	1,924	1,561
Amortisation of intangible assets	743	742
Amortisation of land use right	246	247
Interest on long-term borrowings	804	1,099
Adjustment on revision of estimated receipts on financial assets	-	(106)
Change in fair value less costs to sell of biological assets	(1,300)	(1,650)
Reversal of impairment losses on buildings for own use previously recognised in profit or loss	-	(5)
Impairment losses of intangible assets	4,550	-
Overprovision of penalty	-	(1,009)
Waive of short-term borrowing	-	(5,000)
Written back of trade payables	(3,488)	-
Imputed interest income	(4,480)	(4,646)
Bank interest income	(15)	-
Operating loss before movements in working capital	(887)	(1,666)
Increase in inventories	(2,657)	-
(Increase)/decrease in trade and other receivables	(43,764)	1,917
Increase in trade and other payables	3,220	582
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(44,088)	833
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	15	-
Acquisition of property, plant and equipment	(1,533)	-
Acquisition of intangible assets	(166)	-
Proceeds from disposal of property, plant and equipment	-	4
Refund of Fu Man Shan Zhen Receivable	4,260	5,740
NET CASH GENERATED FROM INVESTING ACTIVITIES	2,576	5,744
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	94,731	-
Capital injection to a subsidiary by non-controlling interests	8,000	-
Repayment of short-term borrowings	-	(5,000)
Interest on long-term borrowings	-	(1,099)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	102,731	(6,099)
NET INCREASE IN CASH AND CASH EQUIVALENTS	61,219	478
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	483	5
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	61,702	483
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	61,702	483

1. GENERAL INFORMATION

Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") is a joint stock limited liability company incorporated in the People's Republic of China (the "PRC") and its H shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business are disclosed in the corporate information section of the annual report.

The principal activities of the Company are development, manufacture and sale of medicines, development of health-related big data and investment holdings in the PRC. The principal activities of its subsidiaries are set out in note 27 to the consolidated financial statements.

The consolidated financial statements are presented in Renminbi, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified.

HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the consolidated financial statements.
- (b) Amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the consolidated financial statements.
- (c) Amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

- (d) The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:
- when the intangible asset is expressed as a measure of revenue; or
 - when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation and amortisation method and hence the amendments did not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

- (e) The amendments to HKAS 16 and HKAS 41 define a bearer plant that is a living plant that:
- i) is used in the production or supply of agricultural produce;
 - ii) is expected to bear produce for more than one period; and
 - iii) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

Although the Group is engaged in agricultural activities, the Group's biological assets do not meet the definition of a bearer plant as defined in HKAS 41. The application of these amendments has had no impact on the consolidated financial statements.

- (f) The annual improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarized below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

The application of these amendments has had no effect on the consolidated financial statements.

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

HKFRS 9	Financial Instruments ⁽²⁾
HKFRS 15 and HKFRS 15 (Amendments)	Revenue from Contracts with Customers ⁽²⁾
HKFRS 16	Leases ⁽³⁾
HKAS 7 (Amendments)	Disclosure Initiative ⁽¹⁾
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ⁽¹⁾
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

(1) Effective for annual periods beginning on or after 1 January 2017.

(2) Effective for annual periods beginning on or after 1 January 2018.

(3) Effective for annual periods beginning on or after 1 January 2019.

(4) Effective date for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment assessment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting,

specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from Contracts with Customers and the Clarifications

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

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

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

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

The Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKAS 7 (Amendments) Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the consolidated financial statements.

HKAS 12 (Amendments) Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group is in the process of assessing the impact of HKAS 12 (Amendments). The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

HKFRS 10 and HKAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transactions arise.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except that buildings are measured at their revalued amount and biological assets are measured at their fair value less costs to sell. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except otherwise indicated.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in note 4.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Group:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the result of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlled interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified that to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

(d) Foreign currency translation

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are dealt with in profit or loss for the period in which they arise.

(e) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than buildings) are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of revalued buildings, the attributable revaluation surplus remaining in the revaluation reserve is directly transferred to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight line method to allocate costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	23 – 25 years or the remaining period of the land use right, whichever is shorter
Leasehold improvements	5 years
Machinery	5 – 11 years
Motor vehicles	8 years
Office equipment and others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is dealt with in profit or loss in the year in which the item is derecognised.

(f) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives:

– Breeding rights	18 years
– Computer software	10 years

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(g) Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

When an impairment loss subsequently reverses, the carrying amount of the assets (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

(h) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or for conversion into additional biological assets. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. Agricultural produce is measured at fair value less costs to sell at the point of harvest, which is deemed as the cost at that date when the agricultural produce becomes inventory or additional biological assets.

If an active market exists for a biological asset or agricultural produce with reference to comparable species, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. The gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises.

Subsequent expenditure relating to producing and harvesting biological assets are charged to expense when incurred and costs that increase the number of units of biological assets owned or controlled by the Group are capitalized in the carrying amount of the biological assets.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

(k) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

The financial assets of the Group are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses, except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment loss on financial assets

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent periods.

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the debtor will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

(ii) *Financial liabilities*

Financial liabilities of the Group are classified as other financial liabilities.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using effective interest method, with interest expenses recognised on an effective interest basis.

Effective interest method

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

(iii) *Equity instruments*

Equity instruments issued by a group entity are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(iv) *Derecognition*

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

(l) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

The current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of value-added tax, returns, rebates and discounts.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when the service is rendered.

Interest income from bank deposits is recognised on a time-apportioned basis that takes into account the effective yield on the assets.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

(n) Related parties

For the purposes of these consolidated financial statements, a person or an entity is considered to be related to the Group if:

- (i) A person, or a close member of that person's family, is related to the Group if that person:
- (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of key management personnel of the Group or a parent of the Group.

Or

- (ii) An entity is related to the Group if any of the following conditions applies:
- (1) the entity and the Group are the members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) one entity is an associate or joint venture of another entity (or of an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) both entities are joint ventures of the same third party.
 - (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) the entity is controlled or jointly controlled by a person identified in (i).
 - (7) a person is identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).
 - (8) the entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are charged as an expense when employees have rendered service entitling them to the contributions. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Details of employee benefits are set out in note 12.

(q) Provisions and contingent liabilities

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

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

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

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Interest in leasehold land and long-term prepaid rental are accounted for as operating leases and amortised over the lease term on a straight-line basis.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors of the Company, which is the Group's chief operation decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

(t) Events after reporting period

Events after reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the application of the Group's accounting policies, which are described in note 3, management has made the following judgement which has the most significant effect on the amounts recognised in the consolidated financial statements.

(i) *Classification of properties leased out during the year*

During the year, the Group has temporarily leased out certain properties and machineries as a package. The Group decided not to treat these properties as investment properties because it is not the Group's intention to hold these properties in long-term capital appreciation or for rental income and these properties do not generate cash flows largely independently of the other assets held by the Group. Accordingly, these properties are still treated as an item of property, plant and equipment.

(ii) *Classification of non-current assets proposed to be sold at the end of the reporting period*

During the year ended 31 December 2016, the Company entered into an asset transfer agreement (the "Agreement") with an independent third party, pursuant to which the Company conditionally agreed to sell certain non-current assets with the aggregate carrying amount of RMB46,559,000 as at 31 December 2016 to the buyer for a consideration of RMB48,800,000. The sale of these assets requires approval from a majority of the Company's shareholders through a formal vote at the extraordinary general meeting which will take place after the end of the reporting period. The Group decided not to classify these assets as assets held for sale under HKFRS 5 as, in the opinion of the management of the Company, the sale is not highly probable until the relevant shareholders' approval from the shareholders is obtained.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technologies changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

As at 31 December 2016, the carrying amount of property, plant and equipment was approximately RMB38,991,000 (2015: RMB35,192,000).

(ii) Impairment of receivables

The Group determines the impairment of its receivables on a regular basis based on assessments of their recoverability, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying amount of the receivables and the amount of impairment in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairments might be required to be recognised.

As at 31 December 2016, the carrying amount of trade receivables, net of provision for impairment, was approximately RMB9,016,000 (2015: RMB16,000) and the carrying amount of Fu Man Shan Zhen receivable and other receivables were approximately RMB26,796,000 (2015: RMB26,576,000) and RMB3,518,000 (2015: RMB120,000) respectively.

(iii) Valuation of biological assets

The Group's biological assets are valued at fair value less costs to sell with reference to market price. Unexpected volatility in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement changes in future accounting periods. The directors of the Company, after taking into account the valuation prepared by the professional valuers have exercised their judgement and are satisfied that the valuation is reflective of their fair value.

As at 31 December 2016, the carrying amount of biological assets was approximately RMB26,278,000 (2015: RMB24,978,000).

(iv) Impairment on non-financial assets

As at 31 December 2016, the carrying amount of non-financial assets was approximately RMB54,868,000 (2015: RMB56,442,000) that comprised of property, plant and equipment, land use rights and intangible assets. Determining whether non-financial assets are impaired requires an estimation of the recoverable amounts which are the higher of the value in use or the fair value less costs of disposal of the cash generating unit ("CGU") to which non-financial assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or the fair value less costs of disposal of the non-financial assets are less than expected, a material impairment loss may arise.

As explained in note 15 to the consolidated financial statements, in respect of the Group's breeding right, an impairment loss of RMB4,550,000 (2015: Nil) was recognised in the consolidated profit or loss for the year ended 31 December 2016.

5. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company ("BoD"), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. For management purposes, the Group is organized into four reportable segments as follows:

- (i) Development, manufacture and sale of medicines ("Medicines business");
- (ii) Planting, cultivation and sale of Chinese herbs ("Chinese herbs business");
- (iii) General trading ("Trading business"); and
- (iv) Development of civilian use of Beidou big data and health related big data (Big data business).

These segments are managed separately as each business offers different products and require different business strategies. No operating segments have been aggregated to form the above reportable segments.

(a) Segment results, assets and liabilities

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. For the purposes of resources allocation and performance assessment, the BoD monitors the results, assets and liabilities to each reportable segments on the following bases:

Revenues and expenses are allocated to reportable segments with reference to revenues generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

The measure used for reportable segments is profit/loss before tax. To arrive at profit/loss before tax, the Group's profit/loss is further adjusted for items that are not specifically attributable to individual segments, such as directors' and auditors' remuneration and other corporate administration costs.

Segment assets include all tangible assets, intangible assets and current assets with the exception of intercompany receivables and other corporate assets. Segment liabilities include trade and other payables and long-term borrowings managed directly by the segments with the exception of intercompany payables and other corporate liabilities.

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FOR THE YEAR ENDED 31 DECEMBER 2016

Information regarding the Group's reportable segments as provided to BoD for the purpose of resources allocation and performance assessment for the years ended 31 December 2016 and 2015 is set out below:

	Medicine business		Chinese herbs business		Trading business		Big data business		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
RESULTS										
Reportable revenue from external customers	1	2	-	-	20,988	-	8,491	-	29,480	2
Reportable segment (loss)/profit	(1,680)	2,325	312	5,327	(315)	-	7,933	-	6,250	7,652
Unallocated corporate other income									-	-
Unallocated corporate expense									(6,121)	(551)
Profit before income tax									129	7,101
Income tax expense									-	-
Profit for the year									129	7,101
ASSETS										
Reportable segment assets	48,868	45,741	59,870	63,634	41,508	-	9,000	-	159,246	109,375
Unallocated corporate assets									57,715	-
Total assets									216,961	109,375
LIABILITIES										
Reportable segment liabilities	25,403	27,865	180	50	1,823	-	495	-	27,901	27,915
Unallocated corporate liabilities									850	300
Total liabilities									28,751	28,215
OTHER SEGMENT INFORMATION										
Interest income	11	-	-	-	4	-	-	-	15	-
Interest expenses	(804)	(1,099)	-	-	-	-	-	-	(804)	(1,099)
Depreciation and amortization	(2,082)	(1,815)	(736)	(735)	(95)	-	-	-	(2,913)	(2,550)
Overprovision of penalty	-	1,009	-	-	-	-	-	-	-	1,009
Waive of short-term borrowings	-	5,000	-	-	-	-	-	-	-	5,000
Written back of trade payables	3,488	-	-	-	-	-	-	-	3,488	-
Change of fair value less costs to sell of biological assets	-	-	1,300	1,650	-	-	-	-	1,300	1,650
Reversal of impairment losses on buildings for own use previously recognised in income statement	-	5	-	-	-	-	-	-	-	5
Rental income	967	1,875	-	-	-	-	-	-	967	1,875
Impairment loss of breeding right	-	-	(4,550)	-	-	-	-	-	(4,550)	-
Income tax expenses	-	-	-	-	-	-	-	-	-	-
Additions to non-current segment assets during the year	-	-	-	-	1,448	-	251	-	1,699	-

There were no inter-segment sales in the current year (2015: Nil).

Notes to the Consolidated Financial Statements

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(b) Revenue from major products and services

	2016 RMB'000	2015 RMB'000
Medicines	1	2
Chinese herbs	-	-
Condiments	20,988	-
Big data services	8,491	-
	29,480	2

(c) Geographical information

As all of the Group's non-current assets and revenues are located in/derived from the PRC, geographical information is not presented.

(d) Information about major customers

Analysis of revenue from transactions with a single external customer amount to 10% or more of the Group's revenue is as follows:

Operating segment	External customer		Revenue	
	Number		2016	2015
	2016	2015	RMB'000	RMB'000
Medicine business	-	1	-	2
Trading business	1	-	20,988	-
Big data business	1	-	8,491	-

Details of concentration of credit risk arising from these customers are set out in note 29.

6. REVENUE AND OTHER INCOME

	2016 RMB'000	2015 RMB'000
Revenue:		
Sales of goods	20,989	2
Rendering of services	8,491	-
	29,480	2
Other income:		
Imputed interest income (Note a)	4,480	4,646
Interest income from bank deposits	15	-
Overprovision of penalty (Note b)	-	1,009
Short-term borrowing waived (Note b)	-	5,000
Written back of trade payables	3,488	-
Reversal of impairment loss on buildings for own use previously recognised in profit or loss	-	5
Rental income	967	1,875
Adjustment on revision of estimated receipts on financial assets	-	106
Exchange gain – net	783	-
Sundry income	-	2
	9,733	12,643
Total revenues	39,213	12,645

Notes:

- Imputed interest income is interest income for financial assets that are not at FVTPL.
- In July 2013, China Gaoxin Investment Group Corporation ("China Gaoxin"), an unrelated company which was administratively supervised by the State Economic Development Committee, filed a claim against the Company to Intermediate People's Court of Jilin City to demand for the full settlement of the loan of RMB10,000,000, together with the penalty. On 17 November 2014, the Intermediate People's Court of Jilin City issued a demand against the Company for the settlement of the loan and related penalty. The Company had made a provision of penalty of approximately RMB1,009,000 in this regard.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

During the year 2015, the Company repaid RMB5 million to China Gaoxin for the full settlement of the loan and China Gaoxin waived the claim for the loan balance of RMB5 million together with all related penalty against the Company pursuant to the settlement agreement entered into by them on 18 August 2015. Accordingly, the Company recorded the waiver of loan balance of RMB5 million and the reversal of provision of penalty of approximately RMB1,009,000 as other income in the profit or loss.

Revenue represents the net amounts received and receivable for goods sold and services rendered by the Group to outside customers. All of the Group's sales made in the PRC are subject to value added tax ("VAT") at a applicable rate ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases ("input VAT").

As the sales of Chinese herbs are qualified as agricultural activities in nature, they are eligible for exemption from payment of VAT in accordance with the PRC tax laws and their interpretation rules.

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowing (Note)	804	1,099

Note: Finance costs are interest expenses for financial liabilities that are not at FVTPL.

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is stated after charging:

	2016 RMB'000	2015 RMB'000
Auditors' remuneration		
– Audit services	400	300
– Other services	140	–
Amortisation of land use rights	246	247
Amortisation of intangible assets	743	742
Cost of inventories sold	19,747	1
Depreciation of property, plant and equipment	1,924	1,561
Operating leases rental	226	–
Staff costs		
– Staff salaries and wages	2,327	683
– Provision for staff and workers' bonus and welfare fund	500	65
– Contributions to defined contribution retirement scheme	362	110

9. INCOME TAX EXPENSE

The income tax expense represents:

	2016 RMB'000	2015 RMB'000
Current tax		
– PRC enterprise income tax ("PRC EIT")	–	–
Deferred tax	–	–

The Company and its subsidiaries are subject to PRC EIT at the rate of 25% (2015: 25%).

According to the PRC tax laws and its interpretation rules, enterprises that engage in qualified agricultural business are eligible for exemption from payment of PRC EIT. The Group's principal subsidiary which is engaged in qualifying agricultural business is entitled to exemption of PRC EIT.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

No provision for EIT has been made as the Company and the Company's other subsidiaries has no taxable profits for the year (2015: Nil).

Reconciliation between profit before income tax expense and income tax expense at the applicable tax rate of 25% (2015: 25%) is as follows:

	2016 RMB'000	2015 RMB'000
Profit before income tax expense	129	7,101
Expected income tax thereon at applicable income tax rate	32	1,775
Tax effect of non-taxable income	(1,445)	(2,031)
Tax effect of non-deductible expense	1,137	313
Tax effect of tax losses not recognised	309	68
Tax effect of utilisation of tax losses previously not recognised	(33)	(125)
Income tax expense for the year	-	-

No deferred tax asset has been recognised in respect of the unused tax losses carried forward due to the unpredictability of future profit streams.

No deferred tax liability has been recognised as there are no material temporary differences which will result in a liability to be payable in the foreseeable future.

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the following data:

	2016 RMB'000	2015 RMB'000
Profit for the year attributable to owners of the Company	255	7,101
Weighted average number of ordinary shares	2016	2015
Issued ordinary shares at 1 January	746,654,240	746,654,240
Effect of ordinary shares issued	21,404,918	-
	768,059,158	746,654,240

(b) Diluted earnings per share

No diluted earnings per share is presented as there are no dilutive potential ordinary shares in issue for each of the years ended 31 December 2015 and 2016.

12. EMPLOYEE BENEFITS

(a) Retirement scheme

Hong Kong

The Group participates in a defined contribution scheme under Mandatory Provident Fund Scheme ("MPF Scheme"). For members of the MPF Scheme, both the Group and the employee contribute 5% of the employee's relevant income or HK\$1,500 whichever is lower, to the Scheme according to the MPF Schemes Ordinance.

PRC

The Group participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. Each employee covered by these schemes is entitled, after retirement from the Group, to a pension as of their retirement dates. The local government authorities are responsible for the pension liabilities to these retired employees.

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The Group and each employee are required to make monthly contributions to the retirement scheme at a rate specified by the local government ranging from 19% to 20% (2015: 20%) and 8% (2015: 8%) respectively based on the eligible employees' monthly salaries.

(b) Housing fund

The Group and each employee are required to contribute to the housing fund organized by relevant local government authorities in the PRC. The amount contributed by each employee will be deducted from the employee's monthly salary by the Group. The amount contributed by individual employee and the Group should not be less than 5% of the average monthly salary of such employee for the previous year. Withdrawals from the fund are subject to qualifications and procedures specified under local regulations.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments paid or payable by the Group are as follows:

	2016 RMB'000	2015 RMB'000
Fees	24	-
Other emoluments:		
Salaries, allowances and other benefits	1,166	58
Retirement scheme contributions	105	11
	1,295	69

The emoluments of every director and supervisor for the year ended 31 December 2016 are set out below:

	Fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total emoluments RMB'000
2016					
Executive directors:					
Wang Shaoyan (Note a)	-	635	-	59	694
Cui Bingyan (Note a)	-	470	-	40	510
Guo Feng (Note b)	-	-	-	-	-
Qin Haibo	-	58	-	6	64
Xu Dongmei (Note b)	-	3	-	-	3
Non-executive directors:					
Guo Aiqun (Note c)	-	-	-	-	-
Zhang Jinlong (Note d)	-	-	-	-	-
Cao Yang (Note e)	-	-	-	-	-
Independent non-executive directors:					
Niu Shu Min (Note f)	-	-	-	-	-
Zhao Zhen Xing	5	-	-	-	5
Hui Lai Yam	5	-	-	-	5
Chen Youfang (Note g)	5	-	-	-	5
Supervisors:					
Zhang Ya Bin (Note h)	-	-	-	-	-
Chen Lin Bo (Note i)	-	-	-	-	-
Meng Shuhua	3	-	-	-	3
Yang Lixue (Note j)	3	-	-	-	3
Lin Xiarong (Note k)	3	-	-	-	3
	24	1,166	-	105	1,295

Notes to the Consolidated Financial Statements

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Notes:

- (a) Mr. Wang Shaoyan and Ms. Cui Bingyan were appointed as an executive director of the Company on 10 January 2016.
- (b) Ms. Guo Feng and Ms. Xu Dongmei resigned as an executive director of the Company on 10 January 2016.
- (c) Ms. Guo Aiqun was appointed as a non-executive director of the Company on 10 January 2016.
- (d) Mr. Zhang Jinlong was appointed as a non-executive director of the Company on 10 January 2016 and resigned on 13 April 2016.
- (e) Mr. Cao Yang was appointed as a non-executive director of the Company on 13 April 2016.
- (f) Ms. Niu Shu Min resigned as an independent non-executive director of the Company on 10 January 2016.
- (g) Mr. Chen Youfang was appointed as an independent non-executive director of the Company on 10 January 2016.
- (h) Mr. Zhang Yan Bin resigned as a supervisor on 10 January 2016.
- (i) Mr. Chen Lin Bo resigned as a supervisor on 10 January 2016.
- (j) Ms. Yang Lixue was appointed as a supervisor as 10 January 2016.
- (k) Ms. Lin Xiarong was appointed as supervisor on 10 January 2016.

The emoluments of every director and supervisor for the year ended 31 December 2015 are set out below:

	Fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total emoluments RMB'000
2015					
Executive directors:					
Liu Yang (Note l)	-	19	-	4	23
Guo Feng	-	-	-	-	-
Qin Haibo	-	28	-	5	33
Xu Dongmei (Note m)	-	11	-	2	13
Independent non-executive directors:					
Niu Shu Min	-	-	-	-	-
Zhao Zhen Xing	-	-	-	-	-
Lam Kai Yeung (Note n)	-	-	-	-	-
Hui Lai Yam (Note o)	-	-	-	-	-
Supervisors:					
Zhang Ya Bin	-	-	-	-	-
Chen Lin Bo	-	-	-	-	-
Yin Hong (Note p)	-	-	-	-	-
Meng Shuhua (Note q)	-	-	-	-	-
	-	58	-	11	69

Notes:

- (l) Mr. Liu Yang resigned as an executive director of the Company on 26 June 2015.
- (m) Ms. Xu Dongmei was appointed as an executive director of the Company on 26 June 2015.
- (n) Mr. Lam Kai Yeung resigned as an independent non-executive director of the Company on 18 June 2015.
- (o) Ms. Hui Lai Yam was appointed as an independent non-executive director of the Company on 19 June 2015.
- (p) Ms. Yin Hong resigned as a supervisor on 24 November 2015.
- (q) Ms. Meng Shuhua was appointed as a supervisor on 24 November 2015.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2016 (2015: Nil). No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2016 (2015: Nil).

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2015: one) are directors whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other three (2015: four) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and other benefits	616	110
Retirement scheme contributions	81	22
	697	132

The emoluments of each of the five highest paid individuals, including two directors, were within the band of nil to RMB896,000 (equivalent to HK\$1,000,000).

No emoluments were paid by the Group to the respective five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2016 (2015: Nil).

Notes to the Consolidated Financial Statements

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15. INTANGIBLE ASSETS

	Breeding rights (Note a) RMB'000	Computer software RMB'000	Total RMB'000
At cost			
As at 1 January 2015, 31 December 2015 and at 1 January 2016	13,240	289	13,529
Additions	–	166	166
As at 31 December 2016	13,240	455	13,695
Accumulated amortization and impairment losses:			
As at 1 January 2015	429	226	655
Charge for the year	735	7	742
As at 31 December 2015 and at 1 January 2016	1,164	233	1,397
Charge for the year	736	7	743
Impairment loss (Note b)	4,550	–	4,550
As at 31 December 2016	6,450	240	6,690
Net carrying amount:			
As at 31 December 2016	6,790	215	7,005
As at 31 December 2015	12,076	56	12,132

Notes:

(a) Pursuant to the Settlement Agreement between the Group and Fu Man Shan Zhen Co., Ltd., the Group was allowed to use the Forest Land located in Antao County, Jilin Province for agricultural and animal breeding purposes at nil consideration for 18 years commencing from the date of the settlement so that the Group can continue its business of breeding and processing of traditional Chinese medicine, i.e. the Breeding Rights.

(b) In light of the limited life and the progress of planning for the development of the Breeding Rights, the management of the Company conducted a review of the recoverable amount of the Breeding Rights. The recoverable amount of the Breeding Rights has been determined based on the fair value less costs of disposal calculation using market comparison approach with reference to prices information on a comparable forest land.

In prior years, due to price information of comparable forest land ("Price Information") had not been found in Antao County, Jilin Province, the management of the Company adopted Price Information in the proximity of the region as an input to determine the recoverable amount of Breeding Right. During the year 2016, since Price Information of forest land, which is adjacent to the forest land where the Breeding Right locates, had been found in Antao County, Jilin Province, the management of the Company considered that it was appropriate and reasonable to adopt such information as an input to determine the recoverable amount of Breeding Right for the current year. Accordingly, impairment loss of approximately RMB4,550,000 was recognized in the profit or loss for the year ended 31 December 2016.

(c) As at 31 December 2016 and 2015, no intangible assets were pledged as security for liabilities and there were no restrictions on intangible assets' title.

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- (d) Recoverable amount of Breeding Rights, measured at its fair value less costs of disposal at the end of the reporting period.

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's Breeding Rights measured at the end of reporting period, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement":

31/12/2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2016 RMB'000
- Breeding Rights	-	6,790	-	6,790

31/12/2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2015 RMB'000
- Breeding Rights	-	12,160	-	12,160

(ii) *Valuation techniques and key assumptions used in Level 2 fair value measurement*

The fair value measurement of Breeding Rights is determined using market comparison approach based on prices information on comparable forest land of similar character and location and used and weighed against the respective advantages and disadvantages of forest land.

16. LAND USE RIGHTS

RMB'000

At cost:

As at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	12,323
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Accumulated amortization:

As at 1 January 2015	2,958
Amortisation for the year	247

As at 31 December 2015 and 1 January 2016	3,205
Amortisation for the year	246

As at 31 December 2016	3,451
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Net carrying amount:

As at 31 December 2016	8,872
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As at 31 December 2015	9,118
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Notes:

- (a) The land use rights of the Group as at 31 December 2016 and 2015 are held on medium term leases and situated in the PRC.
- (b) As at 31 December 2016 and 2015, no land use rights were pledged as security.

Notes to the Consolidated Financial Statements

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17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
At cost or valuation:						
As at 1 January 2015	53,963	555	12,572	730	3,245	71,065
Disposals	-	-	-	(77)	-	(77)
As at 31 December 2015 and 1 January 2016	53,963	555	12,572	653	3,245	70,988
Additions	-	-	-	1,420	113	1,533
As at 31 December 2016	53,963	555	12,572	2,073	3,358	72,521
Accumulated depreciation and impairment losses:						
As at 1 January 2015	22,064	118	12,194	598	3,083	38,057
Charge for the year	1,367	111	-	52	31	1,561
Written back on disposal	-	-	-	(73)	-	(73)
Reversal of impairment loss	(5)	-	-	-	-	(5)
Eliminated on revaluation (Note b)	(3,744)	-	-	-	-	(3,744)
As at 31 December 2015 and 1 January 2016	19,682	229	12,194	577	3,114	35,796
Charge for the year	1,671	111	-	133	9	1,924
Eliminated on revaluation (Note a)	(4,190)	-	-	-	-	(4,190)
As at 31 December 2016	17,163	340	12,194	710	3,123	33,530
Net carrying amount:						
As at 31 December 2016	36,800	215	378	1,363	235	38,991
As at 31 December 2015	34,281	326	378	76	131	35,192

Notes:

- (a) On 28 November 2016, the Company entered into an asset transfer agreement (the "Agreement") with an independent third party, pursuant to which the Company agreed to sell certain of its non-current assets at a total consideration of RMB48,800,000, (in which buildings amounting to RMB36,800,000 as specified in the Agreement). The Agreement was subsequently approved by the shareholders on 16 January 2017. The fair value of the buildings as at 31 December 2016 was measured with reference to the consideration of RMB36,800,000. The surplus arising from revaluation of approximately RMB4,190,000 has been credited to properties revaluation reserve during the year.
- (b) As at 31 December 2015, the Group's buildings were appraised by Asset Appraisal Limited, an independent Hong Kong professional valuer not connected to the Group. These buildings were appraised on the basis of replacement cost and were carried in the consolidated statement of financial position at fair market value of approximately RMB34,281,000 as at 31 December 2015. The surplus arising from revaluation of approximately RMB3,749,000 has been credited to properties revaluation reserve and profit or loss during the year.
- (c) As at 31 December 2016 and 2015, no buildings were pledged as a security.

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(d) Fair value measurement of buildings held for own use

(i) Fair value hierarchy

The following table presents the fair value of the Group's buildings held for own use measured at the end of reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement":

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2016 RMB'000
Recurring fair value measurement				
Buildings held for own use	-	36,800	-	36,800

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2015 RMB'000
Recurring fair value measurement				
Buildings held for own use	-	-	34,281	34,281

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the year ended 31 December 2016 and 31 December 2015, except that the fair value of the buildings as at 31 December 2016 was determined with reference to the consideration set out in the Agreement and was therefore classified as Level 2. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

As at 31 December 2015, the fair value of buildings held for own use was determined using replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for residue rates specific to the quality of the Group's buildings. Higher estimated residue rate and unit replacement costs would result in a higher fair value measurement, and vice versa.

Item	Valuation technique	Unobservable inputs	Range
Building (factory, godwon and office) held for own use	Replacement cost approach	Unit replacement cost	RMB1,618 – RMB5,359 per square metre
		Building residue rates	64% – 74%
		Leasehold improvement residue rates	10% – 40%

(iii) The movements during the year in the balance of the Level 3 fair value measurement are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	34,281	31,899
Depreciation charge for the year	(1,671)	(1,367)
Reversal of impairment loss	-	5
Surplus on revaluation	4,190	3,744
Transfer out	(36,800)	-
At 31 December	-	34,281

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FOR THE YEAR ENDED 31 DECEMBER 2016

- (e) Depreciated cost of buildings held for own use carried at revalued amount

Had the revalued buildings held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	2016 RMB'000	2015 RMB'000
Buildings	32,461	34,130

18. BIOLOGICAL ASSETS

	2016 RMB'000	2015 RMB'000
As at 1 January	24,978	23,328
Gain arising from change in fair value less costs to sell (Note(i))	1,300	1,650
As at 31 December	26,278	24,978

Notes:

- (i) Changes in fair value less costs to sell during the year represent the differences between the value of existing biological assets as at the beginning and the end of the financial year.
- (ii) The quantity and amount of biological assets measured at fair value less costs to sell as at 31 December are analysed as follows:

	Approximate number of quantity		Amount	
	2016 '000	2015 '000	2016 RMB'000	2015 RMB'000
Chinese herbs – Underground Ginsengs (matured)	132	126	26,278	24,978

As at 31 December 2016, no biological assets had been pledged as security (2015: Nil).

The Group is exposed to a number of risks related to its Chinese herbs plantations:

(1) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(2) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of Chinese herbs. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

(3) Climate and other risks

The Group's Chinese herbs plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

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Fair value measurement of biological assets

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's biological assets measured at the end of reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement":

31/12/2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2016 RMB'000
Recurring fair value measurement				
– Biological assets	-	26,278	-	26,278

31/12/2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2015 RMB'000
Recurring fair value measurement				
– Biological assets	-	24,978	-	24,978

There were no transfers into or out of Level 2 during the years ended 31 December 2016 and 2015. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Valuation techniques and inputs used in Level 2 fair value measurement*

The fair value measurement of biological assets is determined using market comparison approach by reference to recent market prices of comparable matured produces in local market on an average basis using market data which is publicly available.

19. INVENTORIES

	2016 RMB'000	2015 RMB'000
Finished goods	2,657	-

20. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables (Note (i))	9,016	16
Fu Man Shan Zhen receivable (Note (ii))	26,796	26,576
Prepayment and other receivables	35,644	880
	71,456	27,472

	2016 RMB'000	2015 RMB'000
Non-current	21,796	22,316
Current	49,660	5,156
	71,456	27,472

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

Notes:

- (i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The average credit period on sale of goods is ranging from cash on delivery to 90 days. In certain circumstance, the credit period may be extended to appropriate level after due diligence investigation. In determining the length of the credit term extended to any specific customer, the Group will consider the reputation of the customer, length of business relationship with the customer and its past payment record. The Group has made provision for impairment for receivables which considered unlikely to be fully recoverable.

At the end of the reporting period, the ageing analysis of trade receivables presented based on the invoice date is as follows:

	2016 RMB'000	2015 RMB'000
0 – 30 days	9,000	–
31 – 60 days	–	1
61 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	4,229	4,228
Total trade receivables	13,229	4,229
Less: Impairment	(4,213)	(4,213)
Total trade receivables, net of impairment	9,016	16

Trade receivables at the end of reporting period mainly comprise amounts receivable from sales of Chinese medicine products and rendering of big data services. No interest is charged on the trade receivables. The Group does not hold any collateral over these balances.

The Group's trade receivables are denominated in functional currency.

Included in trade receivables are debtors with carrying amounts of approximately RMB16,000 (2015: RMB15,000) which are past due at the end of the reporting period for which the Group had not provided for impairment loss as there is no significant change in credit quality and the amounts are still considered recoverable. The management of the Group monitors the recoverable amount of each individual trade debt and considers adequate impairment loss is made for irrecoverable amount, if necessary. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of trade receivables which are past due but not impaired:

	2016 RMB'000	2015 RMB'000
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	16	15
	16	15

Notes to the Consolidated Financial Statements

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Movements of impairment:

	2016 RMB'000	2015 RMB'000
Balance at beginning of the year	4,213	4,213
Impairment	-	-
Reversal of impairment	-	-
Balance at end of the year	4,213	4,213

(ii) Fu Man Shan Zhen Receivable

Pursuant to the Settlement Agreement dated 14 March 2014, Fu Man Shan Zhen agreed to repay the sum of RMB90,000,000 by 18 equal instalments in cash in the coming 18 years before 31 December each year, commencing from 2014, i.e. the "Fu Man Shan Zhen Receivable". The amount was measured at the present value of the estimated future cash flows discounts with reference to the prevailing market interest rate of 16.86%. The movements of the Fu Man Shan Zhen Receivable are as follows:

The movements of the Fu Man Shan Zhen Receivable are as follows:

	2016 RMB'000	2015 RMB'000
Balance at beginning of the year	26,576	27,564
Imputed interest income during the year	4,480	4,646
Adjustment on revision of estimated receipts	-	106
Repayment during the year	(4,260)	(5,740)
Balance at end of the year	26,796	26,576

21. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	61,702	483

Cash and bank balances of the Group comprise cash and short-term bank deposits with an original maturity of three months or less.

Bank balances in the PRC are interest bearing at respective saving deposits rate in the PRC, and the effective interest rates of the Group's balances is 0.35% (2015: 0.35%) per annum.

The Group's cash and bank balance of approximately RMB56,663,000 (2015: RMB483,000) were deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government.

22. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	1,498	3,488
Payables for PRC statutory contribution	589	589
Other taxes payable	906	209
Other payables and accruals	3,258	1,429
	6,251	5,715

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At the end of the reporting period, the ageing analysis of trade payables presented based on the invoice date is as follows:

	2016 RMB'000	2015 RMB'000
0 – 1 month	1,498	–
2 – 6 months	–	–
7 – 12 months	–	–
Over 1 year	–	3,488
Balance at end of the year	1,498	3,488

23. LONG-TERM BORROWINGS

	2016 RMB'000	2015 RMB'000
After one year but within two years	–	–
After two years but within five years	–	–
After five years (Note)	22,500	22,500
	22,500	22,500

Note:

The long-term borrowing with carrying amount of RMB22,500,000 (2015: RMB22,500,000) is unsecured and bears interest at over five years term lending interest rate per annum promulgated by The People's Bank of China discounting 10%. It was granted by Jilin City Finance Bureau ("JCFB") for the purpose of developing Yong Chong Cao Jun Powder Capsule over 20 years. The borrowing is repayable by instalments based on the scheduled repayment dates set out in the agreement until March 2030.

24. SHARE CAPITAL

	Number of shares	Amount RMB'000
<i>Issued and fully paid:</i>		
Domestic shares of RMB0.1 each		
At 1 January 2015, 31 December 2015 and 1 January 2016	539,654,240	53,965
Issued of new shares under shares placing (Note a)	70,000,000	7,000
At 31 December 2016	609,654,240	60,965
H shares of RMB0.1 each		
At 1 January 2015, 31 December 2015 and 1 January 2016	207,000,000	20,700
Issued of new shares under shares placing (Note b)	41,400,000	4,140
At 31 December 2016	248,400,000	24,840
Total as at 31 December 2016	858,054,240	85,805
Total as at 31 December 2015	746,654,240	74,665

Notes:

- (a) On 11 November 2016, 70,000,000 Domestic shares of the Company were issued to placees at a total consideration of RMB62,034,000, of which RMB7,000,000 was credited to share capital account and the net balance after expenses of RMB55,034,000 was credited to share premium account.
- (b) On 20 September 2016, 41,400,000 H shares of the Company were issued to placees at a total consideration of RMB32,697,000, of which RMB4,140,000 was credited to share capital account and the net balance after expenses of RMB28,557,000 was credited to share premium account.

Domestic shares and H shares are ordinary shares in the registered share capital of the Company. However, H shares may only be subscribed for by or traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan and any country other than the PRC. Domestic shares, on the other hand, may only be subscribed for or purchased in Renminbi. Any dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas any dividends in respect of domestic shares are to be paid by the Company in Renminbi.

25. RELATED PARTY TRANSACTIONS

- (a) Balances and transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and certain of the highest paid employees as are not disclosed in this note.
- (b) Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in notes 13 and 14, is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	1,181	58
Post-employment benefits	105	11
	1,286	69

- (c) None of the above related party transactions falls under the definition of connected transaction or continuing transaction as defined in Chapter 20 of the GEM Listing Rules.

26. OPERATING LEASE COMMITMENT

At the end of the reporting period, the Group had commitment payable under non-cancellable operating leases in respect of rented premises as follows:

	2016 RMB'000	2015 RMB'000
Within one year	3,724	–
In the second to fifth year inclusive	9,361	–
After five years	3,005	–
	16,090	–

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27. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of principal subsidiaries of the Company as at 31 December 2016 and 2015 are as follows:

Name of Company	Place of incorporation/ operation	Form of legal entity	Registered Capital	Proportion of ownership interest directly held by the Company	Principal activities
Antao County Northeast Tiger Xinxing New Products Co., Limited	The People's Republic of China	Limited liability company	RMB20,000,000	100% (2015: 100%)	Plantation, cultivation and sale of Chinese herbs
天津中合盛國際貿易有限公司 (incorporated on 12 May 2016)	The People's Republic of China	Limited liability company	RMB20,000,000	60%	General trading
安徽北斗嘉健康數據有限公司 (incorporated on 8 December 2016)	The People's Republic of China	Limited liability company	RMB50,000,000	90%	Development of civilian use of Beidou and big data

(b) The table below shows details of the non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of Company	Place of incorporation/ operation	Principal place of business	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2016	2015	2016	2015	2016	2015
					RMB'000	RMB'000	RMB'000	RMB'000
天津中合盛國際貿易 有限公司	The People's Republic of China	The People's Republic of China	40%	-	126	-	7,874	-

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Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intra-group eliminations.

	天津中合盛 國際貿易 有限公司 RMB'000
Current assets	40,155
Non-current assets	1,353
Current liabilities	(21,823)
Non-current liabilities	-
Equity attributable to owners of the Company	11,811
Non-controlling interests	7,874
Revenue	20,992
Expenses	(21,307)
Loss for the year	(315)
Loss attributable to owners of the Company	(189)
Loss attributable to the non-controlling interests	(126)
Loss for the year	(315)
Other comprehensive income attributable to owners of the Company	-
Other comprehensive income attributable to the non-controlling interests	-
Other comprehensive income for the year	-
Total comprehensive expense attributable to owners of the Company	(189)
Total comprehensive expense attributable to the non-controlling interests	(126)
Total comprehensive expense for the year	(315)
Dividends paid to non-controlling interests	-
Net cash outflow from operating activities	(30,253)
Net cash outflow from investing activities	(1,444)
Net cash inflow from financing activities	40,000
Net cash inflow	8,303

28. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or process for managing capital for the years ended 31 December 2016 and 2015.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities over total assets. Total liabilities represent current and non-current liabilities as shown in the consolidated statement of financial position. Total assets represent current assets and non-current assets as shown in the consolidated statement of financial position.

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The gearing ratios at 31 December 2016 and 2015 are as follows:

	2016 RMB'000	2015 RMB'000
Total liabilities	28,751	28,215
Total assets	216,961	109,375
Gearing ratio	13%	26%

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
<i>Loans and receivables (including cash and cash equivalents)</i>	101,033	27,196
Financial liabilities		
<i>Financial liabilities at amortised costs</i>	27,256	27,417

(b) Financial risk management objectives and policies

The Group's major financial instruments include long-term receivables, trade and other receivables, cash and bank balances, trade and other payables and long-term borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group's operations are located in the PRC. The foreign exchange risk of the Group occurred due to the fact that the Group's had financing activities denominated in foreign currencies. The Group's financing activities are primarily exposed to foreign exchange risk in respect of Hong Kong Dollar against Renminbi ("RMB"). The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Hong Kong Dollar	17,298	-	456	-

Sensitivity analysis

The Group is mainly exposed to the effect of fluctuation in Hong Kong Dollar. The following table indicates the instantaneous change in the Group's profit for the year and consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. The analysis is performed on the same basis in 2016 and 2015.

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	2016			2015		
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit for the year and accumulated losses RMB'000	Increase/ (decrease) on consolidated equity RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit for the year and accumulated losses RMB'000	Increase/ (decrease) on consolidated equity RMB'000
Hong Kong Dollar	5% (5%)	842 (842)	842 (842)	5% (5%)	- -	- -

Interest rate risks

The Group's cash flow interest rate risk relates primarily to bank balances and long-term borrowings as disclosed in notes 21 and 23 respectively. The management considers the Group's exposure of the bank balances to interest rate risk is not significant as they have a short maturity period. The Group has not used any financial instruments to hedge potential fluctuations on interest rates.

The Group is not exposed to fair value interest rate risk as the Group has no fixed-rate bank deposit and borrowing for the year.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the amount of floating-rate bank balances and long-term borrowing at the end of reporting period was the amount outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would increase/decrease by approximately RMB154,000 (2015: decrease/increase by approximately RMB112,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances and long-term borrowing.

(ii) Credit risk management

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to long-term receivable and trade receivables, the management of the Group has strengthened monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk is concentrated as 100% (2015: 100%) and 100% (2015: 100%) of the total trade receivables are due from the Group's largest customer and the five largest customers. However, the management considers, based on the strong financial background and good creditability of those debtors, there are no significant credit risks.

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

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(iii) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from sale of goods and services rendering, short-term borrowings and long-term borrowing as significant sources of liquidity.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

2016	On demand or within 1 year RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cashflow RMB'000	Carrying amount RMB'000
	Trade and other payables	6,251	-	-	-	6,251
Long-term borrowings	1,810	1,006	3,021	27,410	33,247	22,500
	8,061	1,006	3,021	27,410	39,498	28,751

2015	On demand or within 1 year RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cashflow RMB'000	Carrying amount RMB'000
	Trade and other payables	5,715	-	-	-	5,715
Long-term borrowings	1,009	1,006	3,021	28,416	33,452	22,500
	6,724	1,006	3,021	28,416	39,167	28,215

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following resolutions were approved by the Company's shareholders at the Extraordinary General Meeting held on 16 January 2017:

- To change the Chinese name of the Company to "北斗嘉藥業股份有限公司" and the English name of the Company to "Baytacare Pharmaceutical Co., Ltd.".
- To approve, confirm and ratify the assets transfer agreement dated 28 November 2016 entered into between the Company and Beijing Heng Yuan Ji Ye Investment Management Co., Ltd. in relation to the acquisition of property located at Beijing held for own use as set out in the announcement of the Company dated 28 November 2016.
- To approve, confirm and ratify the asset transfer agreement dated 28 November 2016 entered between the Company and Jilin Chun Hua Qiu Shi Agricultural Development Co., Ltd. in relation to the sale of the land use right and certain of property, plant and equipment intangible assets as set out in the announcement of the Company dated 28 November 2016.
- To approve the change of the registered address of the Company to "Room 201, Block A, No. 1 Qian Wan Yi Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, the People's Republic of China."

Up to the date of this report, the above transactions have not yet been completed.

Other than the matters described in these consolidated financial statements, at the end of the reporting period, there were no significant events after reporting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

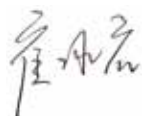
31. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December	
		2016 RMB'000	2015 RMB'000
Non-Current Assets			
Intangible assets		215	56
Land use rights		8,872	9,118
Property, plant and equipment		37,637	35,192
Investments in subsidiaries	(i)	32,200	20,200
		78,924	64,566
Current Assets			
Trade and other receivables		15,467	896
Amounts due from subsidiaries	(ii)	31,283	44,243
Cash and bank balances		53,391	478
		100,141	45,617
Total Assets		179,065	110,183
Less: Current Liabilities			
Trade and other payables		4,248	5,664
		4,248	5,664
Net Current Assets		95,893	39,953
Non-Current Liabilities			
Long-term borrowings		22,500	22,500
		22,500	22,500
Net Assets		152,317	82,019
Capital and reserves attributable to Owners of the Company			
Share capital		85,805	74,665
Reserves	(iii)	66,512	7,354
Total Equity		152,317	82,019

This statement of financial position was approved and authorized for issue by the Board of Directors on 5 March 2017 and signed on behalf of the Board by:



Wang Shao Yan
Director



Cui Bing Yan
Director

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

Notes:

- (i): At the end of the reporting period, unlisted investments in subsidiaries are carried at cost less accumulated impairment losses, if any.
- (ii): The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.
- (iii): Movements in reserves.

	Share premium RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2015	19,027	11,326	-	9,685	(38,204)	1,834
Profit for the year	-	-	-	-	1,776	1,776
Other comprehensive income for the year	-	-	3,744	-	-	3,744
Total comprehensive income for the year	-	-	3,744	-	1,776	5,520
As at 31 December 2015 and 1 January 2016	19,027	11,326	3,744	9,685	(36,428)	7,354
Loss for the year	-	-	-	-	(28,623)	(28,623)
Other comprehensive income for the year	-	-	4,190	-	-	4,190
Total comprehensive income/ (expense) for the year	-	-	4,190	-	(28,623)	(24,433)
Issue of domestic shares under share placing	55,034	-	-	-	-	55,034
Issue of H shares under share placing	28,557	-	-	-	-	28,557
As at 31 December 2016	102,618	11,326	7,934	9,685	(65,051)	66,512

According to the relevant regulations in the PRC and the Articles of Association of the Company, when distributing net profit each year, the Company shall set aside 10% of its profit after tax based on the statutory financial statements for the statutory revenue reserve (except where the reserve balance has reached 50% of the Company's paid-up share capital). The statutory reserve cannot be used for purposes other than those for which it is created and is not distributable as dividends without the prior approval by shareholders under certain conditions.

The statutory reserve as approved by the shareholders may be converted into share capital when the level of the reserve reaches 25% of the registered share capital provided that the balance of the statutory revenue reserve should not fall below 25% of the registered share capital after the conversion. As at 31 December 2016, no statutory revenue reserve was transferred into share capital subsequent to the Company's reorganisation to a joint stock limited Company (2015: Nil).

The capital reserve of the Company includes certain non-distributable reserves created in accordance with the relevant accounting and financial regulations in the PRC. The capital reserve can be capitalised into share capital upon approval by shareholders.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

Profit appropriation is subject to the approval of the Board of Directors and the shareholders' meeting. In accordance with the prevailing rules and regulations in the PRC, the reserve available for distribution is the lower of the amount determined under accounting principles generally accepted in the PRC and the amount determined under accounting principles generally accepted in Hong Kong.

Properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings held for own use in note 3(e).

At the end of the reporting period, there was no reserves available for distribution to equity shareholders of the Company.

Financial Summary

FOR THE YEAR ENDED 31 DECEMBER 2016

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out below:

Results	2016 RMB'000	Year ended 31 December			
		2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Profit/(Loss) attributable to Owners of the Company	255	7,101	(26,708)	6,659	19,640
Assets and liabilities	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	216,961	109,375	108,957	146,495	144,798
Total liabilities	(28,751)	(28,215)	(38,642)	(49,472)	(54,434)
Owners' equity	188,210	81,160	70,315	97,023	90,364