北斗嘉藥業股份有限公司
Baytacare Pharmaceutical Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China)
(formerly known as Northeast Tiger Pharmaceutical Co., Ltd.*)
(Stock Code : 8197)

Interim Report

2017

* For identification purpose only

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This report, for which the directors (the "Directors") of Baytacare Pharmaceutical Co., Ltd. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; and (2) there are no other matters the omission of which would make any statement in this report misleading.*

HIGHLIGHTS
(Unaudited)

- Turnover of the Group for the six months ended 30 June, 2017 was approximately RMB15,094,000 (2016: RMB0).
- Profit/(loss) attributable to owners of the Company (the "Shareholders") for the six months ended 30 June, 2017 was approximately RMB(9,593,000) (2016: RMB(4,156,000)).
- Earnings/(loss) per share ("Shares") of the Company for the six months ended 30 June, 2017 was approximately RMB(1.1) cents（2016: approximately RMB(0.60) cents）.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June, 2017 (2016: nil).

RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June, 2017 (the "Period under Review"), together with the comparative figures for the corresponding periods of the previous financial year, as follows:

		Six months ended 30 June		Three months ended 30 June	
		2017	2016	**2017**	2016
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	b	**15,094**	–	**8,917**	–
Cost of sales		**(13,385)**	–	**(7,827)**	–
Gross profit		**1,709**	–	**1,090**	–
Other revenue	c	**(42)**	250	**(42)**	(250)
Distribution and selling expenses		**(1,008)**	–	**(196)**	–
General, administrative and other operating expenses		**(9,810)**	(4,395)	**(3,296)**	(2,958)
Operating profit/(Loss)	d	**(9,151)**	(4,145)	**(2,444)**	(3,208)
Finance costs		**(607)**	(11)	**(506)**	(5)
Profit/(Loss) before taxation		**(9,758)**	(4,156)	**(2,950)**	(3,213)
Taxation	e	**-**	–	**-**	–
Profit/(Loss) after taxation		**(9,758)**	(4,156)	**(2,950)**	(3,213)
Other comprehensive income		**-**	–	**-**	–
Total comprehensive income/(Loss) attributable to shareholders		**(9,758)**	(4,156)	**(2,950)**	(3,213)
Owners of the Company		**(9,593)**	(4,156)	**(3,015)**	(3,213)
Non-controlling interests		**(165)**	–	**65**	–
		(9,758)	(4,156)	**(2,950)**	(3,213)
Dividends		**N/A**	N/A	**N/A**	N/A
		RMB	*RMB*	***RMB***	*RMB*
Earnings/(Loss) per Share-basic	f	**(1.1) cents**	(0.6) cents	**(0.4) cents**	(0.4) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June, 2017 (Unaudited) RMB'000	31 December, 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Intangible assets, net	g	**6,510**	7,005
Land use rights	h	**8,749**	8,872
Property, plant and equipment	i	**38,368**	38,991
Trade and other receivables – Non-current portion(Fu Man Shan Zhen)	j	**21,713**	21,796
		75,340	76,664
CURRENT ASSETS			
Inventories		**7,553**	2,657
Biological assets		**26,278**	26,278
Trade and other receivables – current portion (Fu Man Shan Zhen)		**5,000**	5,000
Trade receivable, net	k	**16,067**	9,016
Advance to staff		**–**	–
Prepayment and other receivables		**79,072**	35,644
Cash and bank deposits		**6,769**	61,702
		140,739	140,297
LESS: CURRENT LIABILITIES			
Trade payable	l	**11,363**	1,498
Accruals and other payables		**3,764**	4,753
Short-term borrowings		**–**	–
		15,127	6,251
NET CURRENT ASSETS		**125,612**	134,046
NON-CURRENT LIABILITIES			
Amount due to a shareholder		**–**	–
Long-term borrowings		**22,500**	22,500
		22,500	22,500
TOTAL NET ASSETS		**178,452**	188,210
CAPITAL AND RESERVES			
Share capital	m	**85,805**	85,805
Reserves		**84,938**	94,531
Total Equity Attributable to Owner of the Company		**170,743**	180,336
Non-controlling interests		**7,709**	7,874
TOTAL CAPITAL AND RESERVES		**178,452**	188,210

CONDENSED STATEMENT OF CASH FLOW

	Six months ended 30 June,	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**(58,451)**	(74)
Net cash inflow/(outflow) from investing activities	**(6,153)**	–
Net cash inflow/(outflow) from financing activities	**9,671**	–
Increase/(Decrease) in cash and cash equivalents	**(54,933)**	(74)
Cash and cash equivalents at beginning of period	**61,702**	483
Cash and cash equivalents at end of period Represented by Cash and Bank Balances	**6,769**	409

Notes:

a. Accounting policy and basis of presentation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and certain fixed assets are stated at fair value.

In the current period, the Company adopted a number of new and revised HKFRSs issued by the HKICPA. The Directors considered the adoption of these HKFRSs had no material effect on the results of the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The principal accounting policies used in the preparation of the unaudited financial statement of the Company for the six months ended 30 June, 2017 are consistent with those used in the audited accounts issued for the year ended 31 December, 2016.

b. Turnover

Sales of goods are recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

c. Other revenue/(expenses)

	Six months ended 30 June,		**Three months ended 30 June,**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
– Government subsidies	**–**	–	**–**	–
– Others	**(42)**	250	**(42)**	(250)
	(42)	250	**(42)**	(250)

Subsidy income is recognized upon granting of subsidy by the relevant authorities.

d. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following items:

	Six months ended 30 June,		**Three months ended 30 June,**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
– Interest Expenses	**607**	11	**506**	5
– Depreciation of Fixed Assets	**827**	842	**416**	419
– Amortization of Land Use Right	**123**	124	**62**	63
– Amortization of Intangible Assets	**495**	371	**214**	216

e. Taxation

The Company was established in The People's Republic of China (the "PRC"). It is subject to enterprise income tax ("EIT") at a rate of 25% and value added tax at a rate of 17%.

The Company provides for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purpose.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f. Earnings per Share

The calculation of basic earnings per Share for a relevant period is based on unaudited profit/(loss) attributable to owners of the Company which is the same as unaudited total comprehensive income/(loss) attributable to owners of the Company during the period under review, divided by the respective weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the six months and three months ended 30 June, 2017 are 858,054,240 and 858,054,240 respectively (2016: 746,654,240 and 746,654,240 respectively).

No diluted earnings per share were presented as there were no dilutive potential ordinary shares in existence during the relevant periods.

g. Intangible assets, net

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	RMB'000	*RMB'000*
Net book value, beginning of period	**7,005**	12,132
Additions	**–**	166
Impairment losses	**–**	(4,550)
Amortisation	**(495)**	(743)
Net book value, end of period	**6,510**	7,005

h. **Land use rights**

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Net book value, beginning of period	**8,872**	9,118
Additions	**-**	–
Disposal	**-**	–
Amortisation	**(123)**	(246)
Net book value, end of period	**8,749**	8,872

i. **Property, plant and equipment, net**

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Net book value, beginning of period	**38,991**	35,192
Additions	**204**	1,533
Disposals	**-**	–
Depreciation	**(827)**	(1,924)
Reversal of Impairment/disposals	**-**	4,190
Net book value, end of period	**38,368**	38,991

j. **Trade and other receivables- Non-current portion (Fu Man Shan Zhen)**

Pursuant to the Company's announcements dated 27 December 2013 and 14 March 2014 and the Company's circular dated 17 April 2014, the Company had a potential dispute with 吉林福滿山珍有限公司 (Jilin Fu Man Shan Zhen Co., Ltd.*) ("Fu Man Shan Zhen") in respect of the Forest Concession Right (as defined in the circular of the Company dated 17 April 2014). On 14 March 2014, the Group entered into a settlement agreement (the "Settlement Agreement") with Fu Man Shan Zhen regarding the agreement for the acquisition of Forest Concession Right dated 27 September 2010 and the details of the Settlement Agreement are as follows:

(i) after deducting the RMB2,300,000 already refunded to the Group, the sum of RMB100,000,000 already paid by the Group shall be refunded in the manner that (a) RMB10,000,000 be paid in cash within 15 days after the signing of the Settlement Agreement (the "Cash Refund") and (b) remaining sum of RMB90,000,000 be paid by 18 equal installments in cash in the coming 18 years before 31 December each year, commencing from 2014 (the "Long-term Receivable"), The amount was measured at the present value of the estimated future cash flows discounts with reference to the prevailing market interest rate;

(ii) to allow the Group to use the Forest Land (as defined in the circular of the Company dated 17 April 2014) for agricultural and animal breeding purposes (the "Breeding Rights") 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; and

(iii) upon expiry of the 18-year period and upon negotiation by the parties, Fu Man Shan Zhen might allow the Group to continue to use the Forest Land for agricultural and animal breeding purposes at market rate and has priority to continue to use the Forest Land on the same rate as those offered by other parties.

k. **Trade receivable, net**

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Accounts receivable	**20,280**	13,229
Less: Provision for doubtful receivables	**(4,213)**	(4,213)
	16,067	9,016

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Aged:		
0-30 days	**7,773**	9,000
31-60 days	**8,294**	–
61-90 days	**-**	–
91-180 days	**-**	–
181 to 365 days	**-**	–
over 365 days	**4,213**	4,229
	20,280	13,229

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.

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.

l. Trade payable

The aging analysis of trade payable is as follows:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Aged:		
0 to 1 month	5,613	–
2 to 6 months	4,252	–
7 to 12 months	1,498	1,498
Over 1 year	-	–
	11,363	1,498

The aging analysis of trade payable is based on the invoice date.

m. Share capital

	Six months ended 30 June, 2017		As at 31 December, 2016	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Issued and fully paid (RMB0.10 each)				
Beginning of period/year	858,054,240	85,805	858,054,240	85,805
Placing of shares	-	-	–	–
Repurchase of shares	-	-	–	–
End of period/year	858,054,240	85,805	858,054,240	85,805

MOVEMENT IN RESERVES

The movements of reserves are as follows:

	Capital Reserve						
	Share premium RMB'000	Others RMB'000	Property revaluation reserve RMB'000	Statutory revenue reserve RMB'000	Retained earnings RMB'000	Non-controlling interest	Total reserves RMB'000
As at 1 January 2016	19,027	11,326	3,744	9,685	(37,287)	-	6,495
Total comprehensive income/ (Loss) for the period	-	-	-	-	(4,156)	-	(4,156)
As at 30 June 2016	19,027	11,326	-	9,685	(46,986)	-	2,339
As at 1 January 2017	102,618	11,326	7,934	9,685	(37,032)	7,874	102,405
Total comprehensive income/ (Loss) for the period	-	-	-	-	(9,593)	(165)	(9,758)
As at 30 June 2017	102,618	11,326	7,934	9,685	(46,625)	7,709	92,647

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June, 2017 (2016: nil).

BUSINESS REVIEW AND PROSPECTS

Business review

During the period under review, the global economy has been 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.

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 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.

The registration procedures with the relevant industry and commerce bureau in the PRC have been completed and the Project Company was established on 8 December, 2016. On 21 April, 2017, the Company (as purchaser) and Zhonghe Beidou (as vendor) entered into an equity transfer agreement, pursuant to which Zhonghe Beidou agreed to transfer and the Company agreed to acquire the 10% equity interest in the Project Company held by Zhonghe Beidou. Upon the completion of the aforesaid equity transfer, the Project Company will become a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 21 April, 2017.

On 10 March, 2017, the Company established a wholly-owned subsidiary, namely Beijing Baytacare Management Consulting Co., Ltd.* ("Beijing Baytacare Management Consulting"), with a registered capital of RMB10,000,000. Beijing Baytacare Management Consulting was registered in Chaoyang District, Beijing. The business scope of Beijing Baytacare Management Consulting as shown in its business licence includes enterprise management consulting; economic and trade consulting; corporate planning; financial advisory (excluding auditing, capital verification, checking of account, assessment, accounting consulting, agency accounting and other business requiring special approval, and issuing a corresponding audit report, a verification report, an account-checking report, an assessment report and other text materials); market research; trademark agency; copyright trade; product design; technology promotion services; organization of cultural and artistic exchange activities (excluding performances); undertaking exhibitions and display activities; design, production, acting as agent, placing of advertisements; technology development, providing technical advice, technology promotion, technical services; data processing (except the bank card center processing in data, cloud computing data center with the PUE value of more than 1.5); sales of electronic products, medical equipment in class I, medical equipment, machinery and equipment.

On 14 June, 2017, the Company, Zhonghe Beidou, Shenzhen Longyuan Shanzhuang Industrial Development Co., Ltd.* (深圳市龍園山莊實業發展有限公司) ("Longyuan Shanzhuang") and Beijing Zhongsheng Huifu Technology Co., Ltd.* (北京中盛匯富科技有限公司) ("Zhongsheng Huifu") entered into the JV agreement ("JV Agreement"), pursuant to which the parties shall establish the JV company ("JV Company"). The registered capital of the JV Company is RMB50,000,000. Pursuant to the JV Agreement, the Company, Zhonghe Beidou, Longyuan Shanzhuang and Zhongsheng Huifu shall contribute RMB20,000,000, RMB17,500,000, RMB10,000,000 and RMB2,500,000 and shall hold the equity interests in the JV Company as to 40%, 35%, 20% and 5% respectively. The JV Company will be engaged in the development of Helong Beidou Technology Town Project* (合隆北斗科技小鎮項目) in the Helong Economic Development Zone in Nong An County, Jilin Province* (吉林農安縣合隆經濟開發區) (the"Project"), with the aim to facilitate the development of smart health industries and civilian use of Beidou system and develop a modern characteristic town with the support of Beidou technology. It is expected that the Project will involve the construction of Beidou health big data centre and the development of related industries including elderly care and health industry, education industry and the industry in relation to application of Beidou technology. For details, please refer to the announcement of the Company dated 14 June, 2017.

(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 2016 annual report of the Company, the forest concession right of the Forest Land can be used to develop three major industries, namely: (A) breeding of traditional Chinese medicine herbs, (B) tourism industry and (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 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.

Breeding and processing of traditional chinese medicine

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) can be planted or bred on the Forest Land taking into account the weather and soil conditions of the Forest Land. Wild schisandra chinensis (野生五味子) can also be 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 herb. 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 north-eastern 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 2.5 kg 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 the three provinces of north-eastern part of the PRC (Heilongjiang, Jilin and Liaoning) and also in Hebei Province and Shanxi Province. Cortex of Acanthopanax Senticosus (cortex acanthopanacis) 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 RMB1,064 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/m^2, with the output of unit area of 1-2.5kg/m^2. 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. According to market practice, planting (cultivating) the materials in the Forest Land can enhance taste of product, prolong or shorten harvest time because of less input of manpower and material resources, avoidance of market risk and effective use of 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 northeastern Changbai Mountain area and is the northeastern area's unique frog variety. The current market price of forest frog's oviduct is approximately RMB5,200 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 km^2. 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 2,200-3,000 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 wildly 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 no harvesting of ginseng and herbs for the period under review and thus no revenue was generated therein. 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 "Trading JV Company"). The registered capital of the Trading 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 Trading 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 Trading 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 Trading 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.

(iv) *Development, manufacture and sale of medicines*

Since 2016, against the backdrop of the continuous deepening of the pharmaceutical system reform in PRC, 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 profit of the industry is under pressure due to the continuous increase in the costs of packaging, raw materials and wages.

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.

During the period under review, compared with the corresponding period in 2016, due to the comprehensive development of the business by the Group, turnover amounted to approximately RMB15,094,000 (2016: nil). Distribution and selling expenses amounted to approximately RMB1,008,000 (2016: nil), due to the increase of selling activities. General, administrative and other operating expenses amounted to approximately RMB9,810,000（2016：approximately RMB4,395,000）due to increase of staff cost for developing new business. Finance income/(costs) amounted to approximately RMB(607,000) (2016: approximately RMB(11,000)). Total comprehensive income/(loss) attributable to owners of the Company amounted to approximately RMB(9,593,000) (2016: approximately RMB(4,156,000)).

Prospects

Looking forward, 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 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Company had total assets of approximately RMB216,079,000 which were financed by current liabilities of approximately RMB15,127,000, long-term liability of approximately RMB22,500,000 and shareholders' equity of approximately RMB178,452,000.

The Company generally services its debts primarily through cash generated from its operations. The financial position of the Company remains healthy. As at 30 June 2017, the Company had cash and bank balances of approximately RMB6,769,000 and are denominated in Renminbi.

As at 30 June 2017, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 9.30: 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 17.41%.

Except for the borrowings disclosed above, as at 30 June 2017, the Company did not have any committed borrowing facilities.

LONG-TERM BORROWINGS

As at 30 June 2017, the long-term borrowing with carrying amount of RMB22,500,000 (2016: RMB22,500,000) is unsecured and bears interest at a discount of 10% to the lending interest rate per annum for lending for five years promulgated by The People's Bank of China. It was granted by Jilin City Finance Bureau 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.

The gearing ratio of the Group as at 30 June 2017 (defined as long-term borrowing, short-term borrowing, and bank overdrafts divided by total shareholders' equity) was approximately 12.61%.

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 30 June 2017, total heads of staff was 40 (31 December 2016: 37), payroll costs of the Group for the six months ended 30 June 2017 amounted to approximately RMB3,680,000 (31 December 2016: RMB3,189,000). 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 14 June, 2017, the Company, Zhonghe Beidou, Shenzhen Longyuan Shanzhuang Industrial Development Co., Ltd.* (深圳市龍園山莊實業發展有限公司) ("Longyuan Shanzhuang") and Beijing Zhongsheng Huifu Technology Co., Ltd.* (北京中盛匯富科技有限公司) ("Zhongsheng Huifu") entered into the JV agreement ("JV Agreement"), pursuant to which the parties shall establish the JV company ("JV Company"). The registered capital of the JV Company is RMB50,000,000. Pursuant to the JV Agreement, the Company, Zhonghe Beidou, Longyuan Shanzhuang and Zhongsheng Huifu shall contribute RMB20,000,000, RMB17,500,000, RMB10,000,000 and RMB2,500,000 and shall hold the equity interests in the JV Company as to 40%, 35%, 20% and 5% respectively. The JV Company will be engaged in the development of Helong Beidou Technology Town Project* (合隆北斗科技小鎮項目) in the Helong Economic Development Zone in Nong An County, Jilin Province* (吉林農安縣合隆經濟開發區) (the"Project"), with the aim to facilitate the development of smart health industries and civilian use of Beidou system and develop a modern characteristic town with the support of Beidou technology. It is expected that the Project will involve the construction of Beidou health big data centre and the development of related industries including elderly care and health industry, education industry and the industry in relation to application of Beidou technology. For details, please refer to the announcement of the Company dated 14 June, 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2017, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

CHARGES ON ASSETS

As at 30 June 2017, 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 30 June 2017, 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, SUPERVISORS AND CHIEF EXECUTIVE'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June, 2017, none of the Directors, supervisors (the "Supervisors") and the chief executive or their respective associates had interests and short positions in the shares (the "Shares"), underlying Shares or debentures of the Company or any of 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, SUPERVISORS AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 June 2017, the Company was not a party to any arrangements to enable the Directors, Supervisors and chief executive of the Company 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, Supervisors and chief executive of the Company 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 any Director or Supervisor, as at 30 June, 2017, 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	Capacity	Number of domestic shares held	Approximate percentage of domestic shares (%)	Approximate percentage of shareholding (%)
Beijing Baoying Chuangfu Investment Management Center (Limited Partnership) *(Note 1)*	Beneficial owner	398,534,660	65.37	46.44
Guo Feng *(Note 1)*	Beneficial owner	137,611,830	22.57	16.04
Wang Yu Qin *(Note 2)*	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Zhong Jia Hui Tong Investment Management Company Limited* (北京中嘉慧通投資管理有限公司) *(Note 2)*	Beneficial owner	31,500,000	5.17	3.67
Yu Bo *(Note 3)*	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Yue Sheng Investment Management Company Limited* (北京悅升投資管理有限責任公司) *(Note 3)*	Beneficial owner	31,500,000	5.17	3.67

Notes:

1. Pursuant to the letters of intent entered into between Beijing Baoying Chuangfu Investment Management Center (Limited Partnership) ("Beijing Baoying"), 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 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.

   As informed by Baoying Chuangfu, Ms. Guo and Mr. Zhang, they were occupied by their other business commitments during the past several months. As such, each of Ms. Guo and Mr. Zhang have not entered into any definitive share transfer agreements in respect of their respective relevant Domestic Shares before 31 December 2016 and before 31 July 2016 as originally contemplated under the Letters of Intent. On 23 March 2017, the Board was informed by Baoying Chuangfu that Baoying Chuangfu proposes to enter into a share transfer agreement with each of Ms. Guo and Mr. Zhang to complete the aforesaid acquisitions of 137,611,830 and 1,618,960 Domestic Shares respectively in or around April 2017. 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.

2. Wang Yu Qin (王玉琴) holds 100% equity interest in Beijing Zhong Jia Hui Tong Investment Management Company Limited* (北京中嘉慧通投資管理有限公司).

3. Yu Bo (于波) holds 95% equity interest in Beijing Yue Sheng Investment Management Company Limited* (北京悅升投資管理有限責任公司).

Save as disclosed above, as at 30 June, 2017, 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 six months ended 30 June, 2017 and as at the date of this report, none of the Directors and Supervisors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business which competes or may compete with the business of 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 has been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems as well as risk management of the Company. The audit committee comprises Mr. Gao Zhika, Mr. Yang Yulin and Ms. Hui Lai Yam, all of whom are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's unaudited results for the period ended 30 June, 2017 and was of the opinion that the preparation of the unaudited results for the six months ended 30 June 2017 complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

CORPORATE GOVERNANCE CODE

Throughout the period under review, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained 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 "Model Code"). The Company has confirmed after making due enquiries with the Directors in accordance with the Model Code, that all the Directors have complied with the standard of dealings and the Model Code in relation to securities transaction by Directors during the six months ended 30 June, 2017.

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

For the six months ended 30 June 2017, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTORS AND SUPERVISORS

For the six months ended 30 June 2017, there were the following changes in the directors and supervisors of the Company:

1. Mr. Qin Haibo (秦海波) has ceased to be an executive director of the Company with effect from the close of the annual general meeting of the Company held on 31 May 2017 (the "AGM");
2. Mr. Zhao Zhen Xing (趙振興) has ceased to be an independent non-executive director of the Company with effect from the close of the AGM;
3. Ms. Meng Shuhua (孟淑華) has ceased to be a member of the supervisory board of the Company with effect from the close of the AGM;
4. Mr. Jiang Xiaobin (姜曉斌) has been appointed as an executive director of the Company with effect from the close of the AGM;
5. Mr. Shi Peng (師鵬) has been appointed as a non-executive director of the Company with effect from the close of the AGM;
6. Mr. Gao Zhikai (高志凱) has been appointed as an independent non-executive director of the Company with effect from the close of the AGM;
7. Mr. Yang Yulin (楊育林) has been appointed as an independent non-executive director of the Company with effect from the close of the AGM;
8. Ms. Han Xue (韓雪) has been appointed as a member of the supervisory board of the Company with effect from the close of the AGM;
9. Mr. Guo Aiqun (郭愛群) has resigned as a non-executive director of the Company with effect from the close of the AGM; and
10. Mr. Chen Youfang (陳有方) has resigned as an independent non-executive director of the Company with effect from the close of the AGM.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the circular of the Company dated 29 December 2016 in relation to (1) the assets acquisition agreement dated 28 November, 2016 (the "Assets Acquisition Agreement") entered into between the Company and Beijing Heng Yuan Ji Ye Investment Management Co., Ltd.* (北京恒源基業投資管理有限公司), (the "Vendor") in relation to the acquisition of property (the "Acquisition") and (2) the assets disposal agreement dated 28 November, 2016 (the "Assets Disposal Agreement") entered into between the Company and Jilin Chun Hua Qiu Shi Agricultural Development Co., Ltd.* (吉林春華秋實農業開發有限公司) (the "Purchaser") in relation to the disposal of assets (the "Disposal").

Pursuant to the Assets Acquisition Agreement, completion of the Acquisition shall be conditional upon, among others, all the necessary approval, authorization and filings in relation to the Acquisition having been obtained. The Assets Acquisition Agreement shall lapse and cease to have effect if all the conditions precedent of the Assets Acquisition Agreement have not been fulfilled on 30 April 2017 (or such later date as agreed by the parties in writing).

As at 6 July, 2017, all the necessary approval, authorization and filings in relation to the Acquisition have not been obtained on 30 April, 2017 and the Company and the Vendor have not been able to reach an agreement on the extension of the date for fulfilment of the conditions precedent. Accordingly, on 6 July, 2017, the Company and the Vendor entered into a termination agreement, pursuant to which the parties agreed to terminate the Assets Acquisition Agreement with effect from 6 July, 2017.

Pursuant to the Assets Disposal Agreement, completion of the Disposal shall be conditional upon, among others, all the necessary approval, authorization and filings in relation to the Disposal having been obtained. The Assets Disposal Agreement shall lapse and cease to have effect if all the conditions precedent have not been fulfilled within 180 days of the date of the Assets Disposal Agreement (or such later date as agreed by the parties in writing).

As at 6 July, 2017, all the necessary approval, authorization and filings in relation to the Disposal have not been obtained within 180 days of the date of the Assets Disposal Agreement. The Company, having attempted to contact the Purchaser by all possible means of communication, has not been able to contact the Purchaser on the extension of the date for fulfilment of the conditions precedent. Accordingly, on 28 June, 2017, the Company issued a termination notice to the Purchaser (the "Termination Notice"), which provides that the Purchaser shall be deemed to have forfeited the Disposal and agreed to the termination of the Assets Disposal Agreement if the Company does not receive any written response to the Termination Notice from the Purchaser within 7 days of the issuance of the Termination Notice. As advised by the Company's PRC legal advisers, the Termination Notice is effective and enforceable under the PRC laws and regulations. As no written response to the Termination Notice has been received by the Company from the Purchaser, the Purchaser is deemed to have agreed to the termination of the Assets Disposal Agreement and accordingly the Assets Disposal Agreement is terminated with effect from 6 July, 2017. Please refer to the announcement of the Company dated 14 July, 2017.

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

By Order of the Board
Wang Shaoyan
Chairman

Beijing, the PRC
31 July, 2017

As at the date of this report, the Company's executive directors are Wang Shaoyan, Cui Bingyan and Jiang Xiaobin; the Company's non-executive directors are Shi Peng and Cao Yang and the Company's independent non-executive directors are Gao Zhikai, Yang Yulin and Hui Lai Yam.

This report will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the day of its posting and the Company website at http:/www.baytacare.com from the date of this report.

* *for identification purpose only*