東北虎藥業股份有限公司

NORTHEAST TIGER PHARMACEUTICAL CO., LTD.

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

(Stock Code : 8197)

Annual Report 2013

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

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This report, for which the directors (the "Directors") of Northeast Tiger Pharmaceutical 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.

Content

Corporate Information

EXECUTIVE DIRECTORS
Liu Yang
Guo Feng
Qin Haibo

INDEPENDENT NON-EXECUTIVE
Lam Kai Yeung
Niu Shu Min
Zhao Zhen Xing

SUPERVISORS
Zhang Ya Bin
Chen Lin Bo
Yin Hong

COMPANY SECRETARY
Ng Chen Huei

AUDIT COMMITTEE
Lam Kai Yeung
Niu Shu Min
Zhao Zhen Xing

COMPLIANCE OFFICER
Guo Feng

AUTHORIZED REPRESENTATIVES
Qin Haibo
Liu Yang

GEM STOCK CODE
8197

AUTHORIZED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE
Qin Haibo
Liu Yang

AUDITORS
PAN-CHINA (H.K.) CPA LIMITED

LEGAL ADVISORS
Li & Partners

PRINCIPAL BANKER
China Construction Bank
Jilin Railway Branch

HONG KONG BRANCH SHARE REGISTRATION AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
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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
Room 2201-03, 22/F, World Wide House
19 Des Voeux Road Central
Central, Hong Kong

BUSINESS REVIEW AND PROSPECTS

On behalf of 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 subsidiary (collectively referred to as "Group") for the year ended 31 December 2013.

Business Review

2013 is a year that full of challenge. In the global market, the growth of the global economy has slow down, the stability of the European Union zone has been under threat and the insolvency of Greece was also risk; In the domestic market, the overall economic growth in China has started to slow down, pressure on capital is high, weak demand in the pharmaceutical market, increased pressure on the tender system for essential drugs and on environmental protection and the implementation of the new version of GMP, the domestic consumption stands still.

The Group has been engaged in breeding, processing and sales of underground ginseng and related traditional Chinese medicine herbs. The processing and trading are mainly in the Jinlin City, the breading of underground ginseng and related traditional Chinese medicine herbs are situated at 福滿林場山泉村 (Fu Man Lin Chang Shan Quan Cun*), Antao County, Jilin Province, the PRC where the Group acquired the forest concession right. The Forest Land has not yet been developed and it is now covered with natural forest and underground ginseng underneath the Forest Land. The area of the Forest Land is approximately 2,533.10 hectares (consisting of 2,125.10 hectares located in 山泉村 (Shan Quan Chu*) and 408 hectares located in 鹿柴山 (Lucaishan*).

The acquired the Forest Concession Right of the Forest Land by the Group can be used to develop three major industries on the Forest Land, namely;- (A) timber logging, (B) tourism industry, (C) breeding of traditional Chinese medicine herbs.

A. Timber logging

The area of the Forest Land is 2,529.6 hectares, of which approximately 200,258 m^3 is forest stock volume, can be use for developing timber logging. As per consultation with Antao County Forestry Bureau, timber logging is subject to 育林費 (Forestry Fee) representing 21% of sales amount and no other taxes are required, however, logging permits and transportation permit must be obtained. Currently, such business has not yet been initiated by the Group.

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), a wholly-owned subsidiary of the Company entered into the Agreement with the Vendor, pursuant to which the Vendor has agreed to transfer to the Antao County Northeast Tiger Xinxing New Product Co., Ltd. the Forest Concession Right of the Forest Land at the consideration of approximately RMB173,530,000 (equivalent to approximately HK$197,193,182) for a term of approximately 70 years until 31 December 2080. The acquisition has been approved at the Extraordinary General Meeting by shareholders of the Company on 6 October 2011.

It has recently been discovered that the relevant logging permits could not be obtained, and our Company considers it would amount to a breach of the relevant terms of the Agreement by the Vendor. 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. As a result of the said subsequent development, the Vendor has proposed to the Company the following settlement terms: (i) the Agreement shall be terminated and the Forest Concession Right (subject to the 20 Years Breeding Right, as defined below) shall be returned to the Vendor; (ii) the sum of RMB102,300,000 already paid by the Purchaser shall be refunded in the manner that (a) RMB12,300,000 be paid in cash upon the parties have agreed with the terms of settlement and (b) remaining sum of RMB90 million be paid by 18 equal instalments in cash in the coming 18 years before 31 December each year, commencing from 2014; (iii) the Purchaser shall no longer be liable to settle the unpaid portion of the consideration pursuant to the Agreement; (iv) the Purchaser shall have the right to use the Forest Land for agricultural and animal breeding purposes at nil consideration for 20 years commencing from the date of the settlement and the economic benefits arising from such activities during the period (collectively, the "20 Years Breeding Rights") shall belong to the Purchaser so that the Group can continue its business of breeding and processing of traditional Chinese medicine; (v) upon expiry of the 20-year period and upon negotiation by the parties, the

Purchaser may 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 same rate as those offered by other parties.

The Company is currently reviewing the Vendor's offer and seeking the legal advice in this regard. The Company will make further announcement(s) as and when appropriate to keep the shareholders informed of the material developments in this matter.

B. Tourism Industry

The tourism industry in Jilin Province has been developing gradually in these years. In order to develop local economy, the local county government of Jilin Province has been developing forest tourism and eco-tourism to attract local tourists from other parts of the PRC. Changbai Mountain (長白山) is a famous tourist spot in Jilin Province in view of its beautiful scenery and unique environment. Mingyue Town (明月鎮) of Antao Country has rich natural resources that can develop tourism industry. There are three scenery districts nearly, namely 福滿溝生態景區 (Fu Man Natural Scenery District), Mingyue Lake Scenery District (明月湖景區) and Hexi Ski Scenery District (河西滑雪場景區) which is under development. As the Forest Land is geographically near to Mingyue Town, developing relevant tourist facilities for tourists' leisure use can be a good investment option. Currently, such business has not yet been initiated by the Group.

C. Breeding of Traditional Chinese Medicine Herbs

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 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) 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 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 allow ginseng to grow naturally became the trend. In 2004, 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 2011. 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 (馬篼鈴科) 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 RMB25-68 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 Northeast part of the PRC (Heilongjiang, Jilin and Liaoning), 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 RMB20,000 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 RMB56,610 to RMB106,560 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 RMB27 per kg value, a broad application prospect and beneficial in resource conservation.

(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 pant with high development and utilization value, a broad application prospect and beneficial in resource conservation. According to on-site investigation, 125 tones (50 kg per hectare) of fresh fruit of schizandra can be produced annually, meaning 25 tones of dry schizandra can be produced. The current market price of dry Schizandra is RMB25-28 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 manpower and material 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 is "can Run lung, promotes saliva or body fluids, the intensifier and nutritious high quality goods for the feeble human body". The forest frog for producing forest frog's oviduct (林蛙油) mainly produces in our country Northeast's Changbai Mountain area, is the Northeast area unique frog Variety. The current market price of forest frog's oviduct is RMB2650-4000 per kg.

Based on the specific natural and geographic circumstance of Jinlin Province, and the situation of the Group, recently, developing breeding of traditional Chinese medicine herbs, especially underground ginseng is the top priority of the Group.

Jilin Province is located in the Northeast part of the PRC and is regarded one of the most important provinces in terms of the development of forestry industry in the PRC. According to the information published by Jilin Province Forestry Bureau (吉林省林業廳), the forestry area in Jilin Province is approximately 9,288 million hectares, of which approximately 8,202 million hectares are covered with forest, representing a forest coverage rate of approximately 43.4%. Jilin Province has a total of 34 natural reserve areas of approximately 2.25 million hectares, representing approximately 11.9% of the total area of Jilin Province. Among these 34 natural reserve areas, 7 of which are classified as National level natural reserve areas (國家級自然保護區) and 12 of which are classified as Provincial level natural reserve areas (省級自然保護區) and the remaining. In Jilin Province, there are 46 provincial levels or above forest parks and the total areas are approximately 2.06 million hectares. Among the 46 forest parks, 29 of which are classified as National level forest parks (國家級森林公園) and 17 of which are classified as Provincial level forest parks (省級森林公園).

Antao Country 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 government of these two areas have gathered 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 nearly 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. to be bred on the Forest Land is recognized as local Chinese medicine herbs suitable for breeding in Jilin Province by the State 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;

(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; and

(3) the Company is a famous pharmaceutical company in Jilin Province and the Directors consider that engaging in ginseng industry can expand the business scope of the Group and strengthen its corporate identity as a pharmaceutical enterprise.

Prospects

Various unfavorable factors that affect corporate development still persist in 2014, and the Company also faces great pressure on capital as it is currently in the critical stage of development. As such, the Group will step up market development and sales of products, accelerate research and development, improve the management of business fundamentals, and unswervingly strengthen team building.

1. *Firmly focus on operation*

   The Company will further enhance the strategic cooperation partnership with its clients, design new marketing models, fully step up the development and maintenance of the markets for economically viable products, practically press ahead with market expansion and distribution of strategic products, and put additional efforts in marketing and the promotion of featured products.

   The Company will step up cooperation with strategic suppliers, find new suppliers and lower the purchase cost.

2. *Place emphasis on the relocation of products and production*

   The Company will push for management of fundraising, ensure the supply of raw materials and power for products by closely studying and leveraging relevant policies, adjust its marketing tactics in accordance with changes in costs and in the market, and properly organize its production.

3. *Accelerate research and development progress and highlight technological breakthroughs*

   The Company will actively carry out technological breakthroughs by concentrating on the technological and quality breakthrough targets set at the beginning of the year, speed up the research and development progress, improve quality, lower costs and enhance the market competitiveness of its products.

4. *Focus on improving management of the business fundamentals to ensure healthy production and operation*

   We will strengthen efforts in energy saving and emission reduction through implementing a series of measures in respect of energy-saving and environmental protection with a focus on point source control. We will endeavor to make technological breakthroughs for our products, to enhance product quality and reduce energy consumptions, with a view to minimize the impact of adverse factors on the performance of the Company. With regard to expenses control and budget management, we will implement a centralized capital management system to enhance risk control.

   Looking forward, despite the overall economic growth in China has started to slow down, however, as driven by the factors like accelerating aging population, better comprehensive coverage of national medical insurance system, continuous increase in medical insurance premium, increase of PRC Government's input of resources into the public health medical sector and people's raising awareness in medical healthcare, the pharmaceutical industry will continue to maintain a rapid development. This will enable domestic pharmaceutical demand to maintain its growing trend. The PRC pharmaceutical market is in its "Golden Decade" grand development stage.

   The Board and I have great confidence in the Group's future development. As always, we will adhere to our designated strategy and continue to recruit high-caliber talents to strengthen our professional management team, develop a professional operation management model, and create a fabulous future together. The Group is confident and capable of resolving various kinds of difficulties and challenges. We will grasp the emerging opportunities and strive to achieve fast growth rate, bringing long-lasting and maximum value to our shareholders.

   On behalf of the Board, I would like to express my sincere gratitude to all our staff, management, clients, business partners and shareholders for their contributions to the Group's development. We attribute the achievements of the Group to the great support from, and dedication and teamwork of, the parties mentioned above. We firmly believe that, by leveraging on global economic recovery and the sustainable and stable economic growth in the PRC, as well as the ongoing support from shareholders with the substantial market capacity in the PRC, we must be able to achieve the desired objectives.

The Directors are pleased to present their report together with the audited consolidated financial statements of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") its subsidiary (collectively referred to as "Group") for the year ended 31 December 2013.

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 has been engaged in breeding, processing and sales of underground ginseng and related traditional Chinese medicine herbs.

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases

– the largest supplier	100%
– five largest suppliers combined	100%

Sales

– the largest customer	100%
– five largest customers combined	100%

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

RESULTS AND APPROPRIATIONS

The results of Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 22.

The Directors do not recommend the payment of a dividend.

RESERVES

Movement of the reserves of Group and Company during the year is set out in consolidated statement of change in equity on page 25 and Note 30 to the consolidated financial statements respectively.

FIXED ASSETS

Details of the movements of fixed assets of Group are set out in Note 19 to the consolidated financial statements.

FOREIGN EXCHANGE RISK

Since all of the income and most of expenses of Group are denominated in Renminbi, as at 31 December 2013 the Directors consider the impact on foreign exchange exposure of Group is minimal.

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENT

During the year, Group did not have any significant investment which needed to disclose.

MERGERS AND ACQUISITIONS

During the year, Group did not have any mergers and acquisitions which needed to disclose.

DISPOSAL OF MAJOR ASSETS AND INVESTMENTS

During the year, Group has not disposed of any major assets and investments.

SHARE CAPITAL

Details of movement of share capital of the Company are set out in Note 29 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors
Mr. Liu Yang *(Chairman)*
Madam Guo Feng
Mr. Qin Hai Bo

Independent Non-executive Directors
Lam Kai Yeung
Niu Shu Min
Zhao Zhen Xing

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and Supervisors 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 Group are set out in Note 13 to the consolidated financial statements.

CHARGES ON ASSETS

As at 31 December 2013 and 2012, no assets were pledged as security.

BORROWINGS

Particulars of borrowings of Group as at 31 December 2013 are set out in Notes 26 to 28 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the year, the Group had no material related party transactions, which constituted connected transactions under the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES, WARRANTS AND SHARE OPTIONS

As at 31 December, 2013, the interests and short positions of the Directors and supervisors of the Company ("Supervisor") in 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 ("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, were as follows:

Long positions in Shares

Name of Directors or Supervisors	Number of Domestic Shares held	Approximate percentage of shareholding (%)
Liu Yang	194,194,580	26.01
Guo Feng	183,482,440	24.57
Zhang Ya Bin	1,618,960	0.22
	379,295,980	50.80

Save as disclosed above, none of the Directors, Supervisors and the chairman or their respective associates had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the 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, 2013, 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 the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2013, the Directors were not aware of any other person who had an interest or short position in the Shares of 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

None of the Directors and Supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business that competes or may compete, either directly or indirectly, with the business of Group, nor any conflicts of interest which 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 has been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of Group. The audit committee comprises Mr. Lam Kai Yeung, Ms. Niu Shu Min and Mr. Zhao Zhen Xing, all of who are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed Group's unaudited results for the period ended 31 December, 2013 and was of the opinion that the preparation of unaudited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

CORPORATE GOVERNANCE

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code.

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 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 have complied with the standard of dealings and model code of practice in relation to securities transaction by directors.

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

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

DIVIDEND AND CLOSURE OF H SHARE REGISTER

The Directors do not recommend the payment of a dividend for the year end 31 December 2013.

In order to ascertain the entitlement to attend Annual General Meeting, the H share register of shareholders of the Company will be closed from 28 April 2014 to 29 May 2014 (both days inclusive), during which no transfer of shares will be registered. All properly completed transfer forms accompanied by the relevant share certificate must be lodged with the Company's share registrar not later than 4:00 p.m. on 25 April 2014, for registration.

INDEPENDENT AUDITORS

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

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
Liu Yang
Chairman

Jilin, the PRC
28 February 2014

For the year ended 31 December 2013, turnover of the Group decreased by approximately 99.95% to approximately RMB5,000, overall gross profit margin decreased by approximately 19.07% from Approximately 39.07% to approximately 20%. Other revenue decreased RMB7,697,000 from approximately RMB20,512,000 to approximately RMB12,815,000, mainly due to decrease from Bad debts recovered of RMB6,208,000. Gain arising from change of fair value less costs to sell of biological assets amounted to approximately RMB7,560,000 (2012: RMB6,158,000) and Impairment on trade receivables amounted to 574,000 (2012: nil), Impairment on property, plant and equipment amounted to RMB 3,068,000 (2012: nil). Distribution and selling expenses decreased by approximately 44.81% from RMB732,000 to RMB404,000, General, administrative and operating expenses decreased by 2.53% from RMB8,296,000 to RMB8,086,000. Profit attributable to shareholders amounted to approximately RMB6,659,000 (2012: approximately RMB19,640,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2013, the Group had total assets of approximately RMB146,495,000 which were financed by current liabilities of approximately RMB16,422,000, which included unsecured unlimited- term and interest-free loan of RMB10,000,000 from China Gaoxin Investment Group Corporation, long-term liabilities of approximately RMB33,050,000 and shareholders' equity of approximately RMB97,023,000.

The Group generally services its debts primarily through cash generated from its operations. As at 31 December, 2013, the Group had cash and bank balances of approximately RMB3,434,000. And the substantial shareholders of the Company have expressed their intention to provide all necessary financial support to the Group. Taking into consideration the Group's current financial resources, the Directors believe that the Group shall have adequate fund for its continual operation and development, but would not exclude the possibility of raising working capitals once required by way of additional bank loans or equity financing in future.

As at 31 December, 2013, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 1.67:1, 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 34%, is quite healthy.

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 of 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, management closely monitors the liquidity position to ensure that the liquidity restructure 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. During the year, total heads of staff is 24 (2012: 69), payroll costs of the Group amounted to RMB879,000 (2012: RMB1,123,000). Other employee benefits include 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.

DIRECTORS

Executive Directors

Liu Yang, aged 43, graduated from Central Party Political School (中央黨校) in Economic Management (經濟管理專業). He is currently serves as the managing director of Jilin Zhuo Yi Kang Na Pharmaceutical Co., Ltd. (吉林市卓怡康納制藥有限公司). He has been engaged in pharmaceutical industry in the PRC for about twenty years. Mr. Liu is a substantial shareholder of the Company.

Guo Feng, aged 38, 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 has been appointed as an executive Director and compliance officer on 11 December 2009.

Qin Haibo, aged 42, graduated from Changchun Tax Institute (長春稅務學院*) in Accounting (會計學專業*). He is an Accountant in 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 on 27 November 2012.

Independent non-executive Directors

Lam Kai Yeung, aged 44. Mr. Lam has been appointed as the independent non-executive Director, Chairman of audit committee, remuneration committee and nomination committee. He holds a bachelor degree of Economics (Accounting) from Xiamen University in PRC and a Master Degree of Business Administration from Oxford Brookes University in the United Kingdom. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. He possesses accounting and auditing experience in excess of 20 years. Mr.Lam is a standing committee member of China Mergers and Acquisition Association (Hong Kong) and Shenzhen Hong M&A Club.

Niu Shu Min, aged 74, was appointed 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.

Zhao Zhen Xing, aged 71, was appointed 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 manager of internal audit department of Jilin Tansu Group, Jilin Tansu Company Limited during 1991 to 2001. He served as Supervisor of Jilin Tansu Group, Jilin Tansu Company Limited during 1997 to 2001.

SUPERVISORS

Zhang Ya Bin, aged 51, is 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.

Chen Lin Bo, aged 58, is a supervisor of the Company who joined the Company on 28 June 2000. He is 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 NT Drugs for years. He was also in charge of the infrastructure project of NT Pharmaceutical.

Yin Hong, aged 44, is a supervisor of the Company who joined the Company on 28 June 2000. He graduated from Changchun College of Taxation Studies majoring in accounting and is an accountant. Ms. Yin has served as the deputy financial controller of FE Holdings since 1992.

SENIOR MANAGEMENT

Gao Yue Ying, aged 43, is the secretary of the board of directors of the Company and the supervisor of the general manager's office. Ms. Gao graduated from Jilin College of Finance and Trade and is an assistant accountant.

Report of the Supervisory Committee

To the Shareholders:

The supervisory committee ("we") 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, Supervisory Committee had reviewed cautiously the operation and development plans of the Group and provided reasonable suggestions and opinions to the Board of Directors. 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, audited consolidated financial statements and the dividend to be proposed by the Board of Directors 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. The transactions between the Group and connected parties are in the interests of the shareholders as a whole and under fair and reasonable price. 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. And 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 2013 and has great confidence in the future of the Group.

By Order of the Supervisory Committee
Zhang Ya Bin
Chairman

Jilin, the PRC
28 February 2014

INTRODUCTION

Subject to the deviation as disclosed on this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in 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 and 3 independent non-executive Directors:

Executive Directors
Mr. Liu Yang
Madam Guo Feng
Mr. Qin Haibo

Independent non-executive Directors
Mr. Lam Kai Yeung
Miss Niu Shu Min
Mr Zhao Zhen Xing

The board of Directors 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 of Directors 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 of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out on page 12 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 among the members of the board of Directors.

The Company appointed 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. Lam Kai Yeung, Miss Niu Shu Min and Mr. Zhao Zhen Xing are the independent non-executive Directors. All of them were re-elected on 18 May 2010 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 the 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, Mr. Liu Yang, being the chairman of the Company, is not subject to retirement by rotation. In order to comply with the 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 independence, and the Group considers such Directors to be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules. All Independent Non-Executive Directors of the Company are identified as such in all corporate communications containing the names of the Directors.

During the year under review, Mr. Liu Yang was the chairman and Madam Guo Feng was the chief executive officer.

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 practices.

BOARD MEETING

The board of Directors held a full board meeting for each quarter.

Details of the attendance of the meetings of the board of Directors are as follows:

Directors	Attendance
Mr. Liu Yang	6/6
Madam Guo Feng	6/6
Mr. Qin Haibo	6/6
Mr. Lam Kai Yeung	6/6
Ms. Niu Shu Min	6/6
Mr. Zhao Zhen Xing	6/6

Apart from the above regular board meetings of the year, the board of Directors 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.

REMUNERATION COMMITTEE

The remuneration committee was established in August 2005. The current chairman of the committee is Mr. Lam Kai Yeung, a non-executive Director, and other members are Miss Niu Shu Min and Mr. Zhao Zhen Xin, both of them are independent non-executive Directors, thus the all being independent non-executive Directors.

Under the code provision B.1.1, 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 the code provision B.1.1.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of 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, a meeting of the remuneration committee was held in December 2013. Details of the attendance of the meeting of the remuneration committee meeting are as follows:

Members	Attendance
Mr. Lam Kai Yeung	1/1
Ms. Niu Shu Min	1/1
Mr. Zhao Zhen Xing	1/1

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. Lam Kai Yeung, a non-executive Director, and other members are Miss Niu Shu Min and Mr. Zhao Zhen Xin, both of them are independent non-executive Directors, thus the all being independent non-executive Directors. The duties of the nomination committee include: to formulate nomination policies and to made 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 reporting period, the committee Adopted a Board Diversity Policy and held one meeting.

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.

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. 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, Mr. Lam Kai Yeung, Miss Niu Shu Min and Mr. Zhao Zhen Xing. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Lam Kai Yeung.

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**
Mr. Lam Kai Yeung	4/4
Ms. Niu Shu Min	4/4
Mr. Zhao Zhen Xing	4/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2013 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. The audited results of the Group for the year have been reviewed by the audit committee.

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 RMB300,000 and for non-audit services of the Group amounted to approximately RMB180,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors knowledge 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 21 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

The Group has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Group convened meeting periodically to discuss financial, operational and risk management control.

AUDITORS

During the year under review, the performance of the external auditors of the Group has been reviewed and it is proposed to reappoint external auditors.

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 account to shareholders and investors for the Company. These include (i) the publication of quarterly 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 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 serves the shareholders regarding all share registration matters.

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 2013.

LOOKING FORWARD

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

NOTICE IS HEREBY GIVEN that the annual general meeting ("AGM") of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") will be held at No.3, No.2 Road, Jilin Hi-Tech Development Zone, Jilin City, Jilin Province, the PRC on 29 May 2014 at 9:00 a.m. for the following purposes:–

To consider and, if thought fit, pass the following resolutions:

1. To receive and consider the audited consolidated financial statements of the Group and the Report of the Directors and the Auditors respectively for the year ended 31 December 2013;
2. To appoint auditors and to authorize the board of directors of the Company to fix their remuneration;
3. To empower the executive directors of the Company to exercise the authority for the determination of incentive bonus to the relevant person of the Group as a motivation for the contribution of efforts to the development of the Group, if any;
4. To consider and approve the remuneration proposals for Directors and supervisors of the Company for the year ending 31 December 2013;
5. To consider and if the right fit, pass with or without modifications, the following resolution as a special resolution:

   "**THAT**:

   (a) subject to paragraphs (c), (d) and (e) below, the exercise by the Board of Directors of the Company (the "Board") during the Relevant Period (as defined in paragraph (f) below) of all the powers of the Company separately or concurrently to allot, issue and deal with domestic shares of nominal value of RMB0.10 each in the share capital of the Company (the "Domestic Shares") and/or overseas – listed foreign shares of nominal value of RMB0.10 each in the share capital of the Company (the "H Shares") be and is hereby approved;

   (b) the approval in paragraph (a) above shall authorise the Board to make an offer or agreement or grant an option during the Relevant Period which would or might require Domestic Shares and/or H Shares to be allotted and issued either during or after the end of the Relevant Period;

   (c) the aggregate nominal value of Domestic Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph (f) below); (ii) the exercise of the conversion rights under the terms of any securities which are convertible into such shares; (iii) the exercise of rights of subscription under the terms of any warrants issued by the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such shares in accordance with the articles of association of the Company, shall not exceed 20 per cent of the aggregate nominal value of the Domestic Shares then in issue at the date of the passing of this resolution;

   (d) the aggregate nominal value of H Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph (f) below); (ii) the exercise of the conversion rights under the terms of any securities which are convertible into such shares; (iii) the exercise of rights of subscription under the terms of any warrants issued by the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such shares in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal value of the H Shares then in issue at the date of the passing of this resolution;

   (e) the approval in paragraph (a) above shall be conditional upon the approval of the China Securities Regulatory Commission being obtained by the Company;

   (f) for the purpose of this special resolution: "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

      (i) the conclusion of the next annual general meeting of the Company following the passing of this special resolution;

      (ii) the expiration of a period of 12 months following the passing of this special resolution; or

      (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in general meeting.

   "Rights issue" means an offer of shares open for a period fixed by the Directors to holders of shares of the Company on the register of members of the Company on a fixed record date and, where appropriate, the holders of the other equity securities of the Company entitled to be offered therein, in proportion to their then holdings of such shares or other equity securities (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any regulatory body or any stock exchange); and

(g) the Board be and is hereby authorised to make such amendments to the articles of association of the Company as it thinks fit so as to increase the registered share capital and to reflect the new capital structure of the Company as a result of the allotment and issue of shares of the Company pursuant to the approval granted under paragraph (a) above"; and

6. To consider and elect the appointment of Mr. Liu Yang as executive directors of the Board of Directors (his biographical details are set out in Appendix 1 herein) due to expiry of his terms of office and he shall be eligible for re-election by shareholders upon the end of the term according to the articles of association of the Company; and

7. To consider and elect the appointment of Madam Guo Feng as executive directors of the Board of Directors (his biographical details are set out in Appendix 1 herein) due to expiry of his terms of office and he shall be eligible for re-election by shareholders upon the end of the term according to the articles of association of the Company;

8. To consider and elect the appointment of Mr. Qin Haibo as executive directors of the Board of Directors (his biographical details are set out in Appendix 1 herein) due to expiry of his terms of office and he shall be eligible for re-election by shareholders upon the end of the term according to the articles of association of the Company;

9. To consider and elect the appointment of Mr. Lam Kai Yeung as executive directors of the Board of Directors (his biographical details are set out in Appendix 1 herein) due to expiry of his terms of office and he shall be eligible for re-election by shareholders upon the end of the term according to the articles of association of the Company;

10. To consider and elect the appointment of Madam Niu Shu Min as executive directors of the Board of Directors (his biographical details are set out in Appendix 1 herein) due to expiry of his terms of office and he shall be eligible for re-election by shareholders upon the end of the term according to the articles of association of the Company;

11. To consider and elect the appointment of Mr. Zhao Zhen Xing as executive directors of the Board of Directors (his biographical details are set out in Appendix 1 herein) due to expiry of his terms of office and he shall be eligible for re-election by shareholders upon the end of the term according to the articles of association of the Company; and

12. To transact any other business, if any.

By Order of the Board
Liu Yang
Chairman

Jilin, the PRC
28 February 2014

As at the date of this report, the Company's executive directors are Liu Yang, Guo Feng and Qin Haibo and the Company's independent non-executive directors are Lam Kai Yeung, Niu Shu Min and Zhao Zhen Xing.

Notes:

1. Any shareholder entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.

2. In order to be valid, the proxy form of holder of H shares and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's registered office not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.

3. Shareholders or their proxies shall produce their identity documents when attending the meeting.

4. The H share register of shareholders of the Company will be closed from 28 April 2014 to 29 May 2014 (both days inclusive), during which no transfer of shares will be registered. In order to ascertain the entitlement to attend at the above meeting, all properly completed transfer forms accompanied by the relevant share certificate must be lodged with the Company's share registrar not later than 4:00 p.m. on 25 April 2014, for registration.

5. Shareholders who intend to attend the AGM should complete the enclosed reply slip for the AGM and return it to the Company's registered office not later than 8 May 2014.

APPENDIX 1 OF NOTICE OF ANNUAL GENERAL MEETING

Biographical details of the candidate proposed to be elected as directors are set out as follows:–

Liu Yang, aged 43, the Chairman and executive director of the Company, graduated from Central Party Political School in Economic Management (經濟管理專業). He is currently serves as the managing director of Jilin Zhuo Yi Kang Na Pharmaceutical Co., Ltd. (吉林市卓怡康納制藥有限公司). He has been engaged in pharmaceutical industry in the PRC for about twenty years. Mr. Liu is a substantial shareholder of the Company. He was appointed on 4 December 2009.

Mr. Liu will enter into a service contract with the Company for a term of three years and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. His annual remuneration will be RMB25,000 (equivalent to approximately HK$31,250).

As at the Latest Practicable Date, Mr. Liu holds 194,194,580 domestic shares of the Company, representing approximately 26.01% of the total issued share capital of the Company. Mr. Liu is currently a substantial shareholder of the Company.

Save as disclosed above, as at the date of this circular. Mr. Liu does not hold any other positions in the Company, nor any directorships in other listed public companies in the three years prior to the date of this circular.

Save as disclosed, Mr. Liu does not have any other relationships with any Directors, members of senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed, there are no other matters that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to any of the requirements under Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Guo Feng, aged 38, the general manager and executive director of the Company, 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 has been appointed as an executive Director and compliance officer on 11 December 2009.

Ms. Guo has not entered into any service contract with the Company and is not entitled to any remuneration. As at the Latest Practicable Date, Ms. Guo holds 183,482,440 domestic shares of the Company, representing approximately 24.57% of the total issued share capital of the Company. Ms. Guo is currently a substantial shareholder of the Company.

Save as disclosed above, as at the date of this circular, Ms. Guo does not hold any other positions in the Company, nor any directorships in other listed public companies in the three years prior to the date of this circular. Ms. Guo does not have any relationships with any Directors, members of senior management, substantial shareholders or controlling shareholders of the Company.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to any of the equirements under Rile 17.50(2)(h) to (v) of the GEM Listing Rules.

Qin Haibo, aged 42, the executive director and chief financial officer of the Company, graduated from Changchun Tax Institute (長春稅務學院*) in Accounting (會計學專業*). He is an Accountant in 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 on 27 November 2012.

Mr.Qin will enter into a service contract with the Company for a term of three years and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. His annual remuneration will be RMB25,000 (equivalent to approximately HK$31,250).

Mr.Qin has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, as at the date of this circular. Mr. Qin does not hold any other positions in the Company, nor any directorships in other listed public companies in the three years prior to the date of this circular.

Save as disclosed, Mr. Qin does not have any other relationships with any Directors, members of senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed, there are no other matters that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to any of the requirements under Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Lam Kai Yeung, aged 44. Mr. Lam is Chairman of audit committee, remuneration committee and nomination committee. He holds a bachelor degree of Economics (Accounting) from Xiamen University in PRC and a Master Degree of Business Administration from Oxford Brookes University in the United Kingdom. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. He possesses accounting and auditing experience in excess of 20 years. Mr. Lam is an independent non-executive director of Silverman Holdings Limited (stock code: 01616). Mr.Lam is a standing committee member of China Mergers and Acquisition Association (Hong Kong) and Shenzhen Hong M&A Club. The Group has received from him an annual confirmation of his independence, and the Group considers him be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules. He was appointed on 7 August 2008.

Mr. Lam has not entered into any service contract with the Company and he is not appointed for a specific term since he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. He is not entitled to any remuneration, except for a bonus for each financial year which is at the Board's discretion and determined by reference to the Company's results and performance for the financial year concerned as well as subject to approval by shareholders at relevant annual general meeting of the Company.

Save for disclosed herein, Mr. Lam currently is not holding any other positions with the Company, and He is not the holder of other major appointments or directorships in other listed companies during the last three years preceding the date of this circular.

Mr. Lam has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save for his appointment as the independent non-executive Director of the Company as set out herein, Mr. Lam does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company within the meaning of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the"GEM Listing Rules").

Save for disclosed herein, the Board is not aware of any other matters which need to be brought to the attention of the shareholders of the Company and there is no information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2)(h)-(v) of the GEM Listing Rules.

Niu Shu Min, aged 74, was appointed an independent non – executive director of the Company on 11 July 2001. She is a member of audit committee, remuneration committee and nomination committee. 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 Jinlin Drug Administration Department ("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. The Group has received from her an annual confirmation of his independence, and the Group considers her be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules.

Madam Niu has not entered into any service contract with the Company and she is not appointed for a specific term since she is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. She is not entitled to any remuneration, except for a bonus for each financial year which is at the Board's discretion and determined by reference to the Company's results and performance for the financial year concerned as well as subject to approval by shareholders at relevant annual general meeting of the Company.

Save for disclosed herein, Madam Niu currently is not holding any other positions with the Company, and she is not the holder of other major appointments or directorships in other listed companies during the last three years preceding the date of this circular.

Madam Niu has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save for her appointment as the independent non-executive Director of the Company as set out herein, Madam Niu does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company within the meaning of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the"GEM Listing Rules").

Save for disclosed herein, the Board is not aware of any other matters which need to be brought to the attention of the shareholders of the Company and there is no information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2)(h)-(v) of the GEM Listing Rules.

Zhao Zhen Xing, aged 71, was appointed an independent non-executive director of the Company on 30 September 2004. He is a member of audit committee, remuneration committee and nomination committee. 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 manager of internal audit department of Jilin Tansu Group, Jilin Tansu Company Limited during 1991 to 2001. He served as Supervisor of Jilin Tansu Group, Jilin Tansu Company Limited during 1997 to 2001. The Group has received from him an annual confirmation of his independence, and the Group considers him be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules.

Mr. Zhao has not entered into any service contract with the Company and he is not appointed for a specific term since he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. He is not entitled to any remuneration, except for a bonus for each financial year which is at the Board's discretion and determined by reference to the Company's results and performance for the financial year concerned as well as subject to approval by shareholders at relevant annual general meeting of the Company.

Save for disclosed herein, Mr. Zhao currently is not holding any other positions with the Company, and He is not the holder of other major appointments or directorships in other listed companies during the last three years preceding the date of this circular.

Mr. Zhao has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save for his appointment as the independent non-executive Director of the Company as set out herein, Mr. Zhao does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company within the meaning of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the"GEM Listing Rules").

Save for disclosed herein, the Board is not aware of any other matters which need to be brought to the attention of the shareholders of the Company and there is no information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2)(h)-(v) of the GEM Listing Rules.

TO THE SHAREHOLDERS OF NORTHEAST TIGER PHARMACEUTICAL CO., LTD.
(A joint stock limited company incorporated in the People's Republic of China)

We have audited the consolidated financial statements of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 59, which comprise the consolidated and Company's statements of financial position as at 31 December 2013, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Pan-China (H.K.) CPA Ltd.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Tsang Chiu Keung
Practicing Certificate Number P04968

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

28 February 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Renminbi)

	Note	**2013 RMB'000**	2012 RMB'000
Turnover	6	**5**	9,705
Cost of sales		**4**	(5,913)
Gross profit		**1**	3,792
Other revenue	6	**12,815**	20,512
Gain arising from change of fair value less costs to sell of biological assets	21	**7,560**	6,158
Impairment losses on trade receivables	22	**(574)**	–
Impairment on property, plant and equipment	19	**(3,068)**	–
Distribution and selling expenses		**(404)**	(732)
General, administrative and operating expenses		**(8,086)**	(8,296)
Finance costs	7	**(1,585)**	(1,794)
Profit before income tax expense	8	**6,659**	19,640
Income tax expense	9	**–**	–
Profit for the year		**6,659**	19,640
Other comprehensive income		**–**	–
Total comprehensive income for the year		**6,659**	19,640
Profit and total comprehensive income for the year attributable to owners of the Company		**6,659**	19,640
Dividends	11	**–**	–
Earnings per share	12		
Basic		**0.89cents**	2.63cents
Diluted		**N/A**	N/A

All of the Group's operations are classed as continuing.

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

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Renminbi)

	Note	**2013** **RMB'000**	2012 RMB'000
Non-current assets			
Intangible assets	16	**–**	–
Land use rights	17	**9,611**	9,858
Prepaid long-term rentals	18	**76,968**	75,848
Property, plant and equipment	19	**32,440**	37,688
		119,019	123,394
Current assets			
Biological assets	21	**20,687**	13,127
Prepaid long-term rentals – Current portion	18	**2,280**	2,280
Trade and other receivables	22	**1,075**	1,644
Cash and bank balances	24	**3,434**	4,353
		27,476	21,404
Total assets		**146,495**	144,798
Less: Current liabilities			
Trade and other payables	25	**6,422**	6,334
Short-term borrowings	26	**10,000**	10,000
		16,422	16,334
Net current assets		**11,054**	5,070
Non-Current Liabilities			
Amount due to a shareholder	27	**1,450**	–
Long-term borrowings	28	**31,600**	38,100
		33,050	38,100
Net assets		**97,023**	90,364
Capital and reserves attributable to owners of the Company			
Share capital	29	**74,665**	74,665
Reserves		**22,358**	15,699
Total equity		**97,023**	90,364

These consolidated financial statements were approved by the Board of Directors on 28 February 2014 and signed on behalf of the Board by:

Liu Yang
Director

Qin Hai Bo
Director

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

Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Renminbi)

	Note	**2013 RMB'000**	2012 RMB'000
Non-current assets			
Intangible assets	16	**–**	–
Land use rights	17	**9,611**	9,858
Property, plant and equipment	19	**32,440**	37,688
Investment in subsidiaries	20	**20,200**	20,200
		62,251	67,746
Current assets			
Trade and other receivables	22	**1,056**	1,623
Amounts due from subsidiaries	23	**67,664**	64,977
Cash and bank balances	24	**46**	1
		68,766	66,601
Total assets		**131,017**	134,347
Less: Current liabilities			
Trade and other payables	25	**6,330**	6,272
Short-term borrowings	26	**10,000**	10,000
		16,330	16,272
Net current assets		**52,436**	50,329
Non-Current Liabilities			
Amount due to a shareholder	27	**1,450**	–
Long-term borrowings	28	**31,600**	38,100
		33,050	38,100
Net assets		**81,637**	79,975
Capital and reserves attributable to owners of the Company			
Share capital	29	**74,665**	74,665
Reserves	30	**6,972**	5,310
Total equity		**81,637**	79,975

These consolidated financial statements were approved by the Board of Directors on 28 February 2014 and signed on behalf of the Board by:

Liu Yang
Director

Qin Hai Bo
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 2013
(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory revenue reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2012	74,665	19,027	11,326	9,685	(43,979)	70,724
Profit for the year	–	–	–	–	19,640	19,640
As at 31 December 2012 and at 1 January 2013	74,665	19,027	11,326	9,685	(24,339)	90,364
Profit for the year	–	–	–	–	6,659	6,659
As at 31 December 2013	74,665	19,027	11,326	9,685	(17,680)	97,023

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Renminbi)

	2013 **RMB'000**	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	**6,659**	19,640
Depreciation of property, plant and equipment	**2,727**	2,641
Amortisation of land use right	**247**	246
Amortisation of long-term prepaid rentals	**2,280**	2,280
Interest on long-term borrowings	**1,585**	1,794
Provision for impairment of trade receivables written back	**(1,722)**	(1,626)
Provision for impairment of other receivables written back	**(10)**	(1,282)
Provision for impairment of trade receivables	**574**	–
Change in fair value less costs to sell of biological assets	**(7,560)**	(6,158)
Reversal of revaluation deficit on buildings for own use previously recognized in profit or loss	**–**	(625)
Loss on disposal of property, plant and equipment	**8**	12
Impairment on property, plant and equipment	**3,068**	–
Interest income	**(2)**	(18)
Operating profit before movements in working capital	**7,854**	16,904
Decrease in biological assets	**–**	5,412
Decrease in trade and other receivables	**1,727**	2,545
Increase in trade and other payables	**88**	425
NET CASH GENERATED FROM OPERATING ACTIVITIES	**9,669**	25,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	**2**	18
Acquisition of property, plant and equipment	**(555)**	–
Payments of prepaid long-term rentals	**(3,400)**	(15,600)
NET CASH USED IN INVESTING ACTIVITIES	**(3,953)**	(15,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	**–**	(20)
Advance from a shareholder	**1,450**	–
Repayment of long-term borrowings	**(6,500)**	(9,400)
Interest on long-term borrowings	**(1,585)**	(1,794)
NET CASH USED IN FINANCING ACTIVITIES	**(6,635)**	(11,214)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(919)**	(1,510)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**4,353**	5,863
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,434**	4,353
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**3,434**	4,353

All of the Group's cash and bank balances are denominated in Renminbi which is not freely convertible to other currencies.

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

1. CORPORATE INFORMATION

Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC") and its 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, sale of medicines and investment holdings in the PRC. The principal activities of its subsidiaries are set out in note 32 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")

The Group has applied for the first time in the current year the following new and revised HKFRSs.

HKFRS 10 Consolidated Financial Statements

The Company has applied for the first time the HKFRS 10 Consolidated Financial Statements. HKFRS 10 replaces the requirements of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors concluded that it has had control over its subsidiaries since the acquisition in prior periods on the basis of the Group's absolute size of holding in subsidiaries and the relative size of and dispersion of the shareholdings owned by the other shareholders.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

(Expressed in Renminbi)

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

HKFRS 13 Fair Value Measurement (Continued)

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements. As a result of the requirements of HKFRS 13, the Group's policies for measuring fair value have been amended.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

(1) Effective for annual periods beginning on or after 1 January 2014.
(2) Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognized in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with requirements of HKAS 39.

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

HKFRS 9 Financial Instruments (Continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principals of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirely. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

The directors of the Company is in the process of making an assessment of the potential impacts of these new and revised HKFRSs and they are so far concluded that the application of these new and revised HKFRSs will have no material impact on consolidated financial statements.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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 Company:

- 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.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensives income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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 and expenses are eliminated in full on consolidation.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment losses, unless it is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

(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 are stated at cost or revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at the end of the reporting period at their revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse previous revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of revalued buildings, the attributable revaluation surplus 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	:	25-35 years
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

(i) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical and commercial feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Technical know-how

Costs on acquired technical know-how are recognised and amortised using the straight-line method over the estimated useful lives of between 5 to 10 years, from the date when the technical know-how is available for use.

Both the period and method of amortisation are reviewed annually.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs to sell 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 recognized 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 recognized for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised as income immediately.

(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 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. The fair value of biological assets is determined based on current market prices with references to the species, growing condition, cost incurred and expected yield of the crops. 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.

Agricultural produce harvested from biological assets is measured at fair value less costs to sell at the time of harvest. Gain or loss on initial recognition at fair value less costs to sell is included in profit or loss in the period it arises. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. Upon the sale of the agricultural produce, the carrying amount is transferred to cost of goods sold in the statement of profit or loss and other comprehensive income.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Group 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 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. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment, 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 of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after 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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the debtor will enter bankruptcy or financial re-organisation.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(i) Financial assets (continued)

For financial assets 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

(ii) Financial liabilities

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

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 recognized 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 the Group 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 the Company after deducting all of its liabilities. Equity instruments issued by the Group 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 a financial asset is transferred, 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 recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collarteralised 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

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

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

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition

Revenue comprises 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. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue is recognized as follows:

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

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

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

(iv) Rental income is recognized on a straight-line basis over the lease term.

(n) Related parties

For the purposes of these consolidated financial statements, a party 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;

(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) the entity and the Group 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); or

(7) a person is identified in (i)(1) has significant influence over the entity or is a member of key management personnel of the entity (or of the parent of the entity).

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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 13.

(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 non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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 balance sheet 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.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term 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.

4. CRITICAL ACCOUNTING JUDGEMENTS 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.

Investment property

During the year, the Group has temporarily leased out certain vacant properties but decided not to treat these properties as investment properties because it is not the Group's intention to hold these properties in long-term for capital appreciation or for rental income. Accordingly, these properties are still treated as an item of property, plant and equipment.

(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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(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 2013, the carrying amount of property, plant and equipments was approximately RMB32,440,000 (2012: RMB37,688,000).

(ii) Fair values of buildings

The Group appointed an independent professional valuer to assess the fair values of buildings. In determining the fair values of the buildings, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and satisfied that the method of valuation is reflective of the current market conditions.

As at 31 December 2013, the carrying amount of buildings is approximately RMB31,120,000 (2012: RMB33,223,000).

(iii) 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 December 2013, the carrying amount of trade receivables, net of provision for impairment, was approximately RMB6,000 (2012: RMB574,000) and the carrying amount of prepayment and other receivables was approximately RMB1,069,000 (2012: RMB1,070,000) respectively.

(iv) Valuation of biological assets

The Group's biological assets are valued at fair value less costs to sell with reference to market price and professional valuations. 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 and the professional valuers have exercised their judgement and are satisfied that the valuation is reflective of their fair value.

As at 31 December 2013, the carrying amount of biological assets was approximately RMB20,687,000 (2012: RMB13,127,000).

(v) Impairment on property, plant and equipment

During the year, impairment loss of RMB3,068,000 (2012: Nil) in respect of property, plant and equipment was recognised in the consolidated profit or loss. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

As at 31 December 2013, the carrying amount of property, plant equipment was approximately RMB32,440,000 (2012: RMB37,688,000).

5. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires the Group to disclose reported segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers the Board of Directors of the Company ("BoD") to be the chief operating decision maker. For management purposes, the Group is organized into two reportable segments as follows:

(i) Development, manufacture and sale of medicines ("Medicines business"); and

(ii) Planting, cultivation and sale of Chinese herbs ("Chinese herbs business").

These segments are managed separately as each business offers different products and require different business strategies.

(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 basis:

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 before tax. To arrive at profit before tax, the Group's earnings are 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, bank loans and long-term loan managed directly by the segments with the exception of intercompany payables and other corporate liabilities.

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment results, assets and liabilities (continued)

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 2013 and 2012 is set out below:

	Medicine business		Chinese herbs business		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
RESULTS						
Reportable revenue from external customers	**5**	490	**-**	9,215	**5**	9,705
Reportable segment profit	**2,196**	12,887	**4,999**	7,287	**7,195**	20,174
Unallocated corporate other income					**-**	1
Unallocated corporate expenses					**(536)**	(535)
Profit before income tax					**6,659**	19,640
Income tax expenses					**-**	–
Profit for the year					**6,659**	19,640
ASSETS						
Reportable segment assets	**43,153**	49,170	**103,342**	95,626	**146,495**	144,796
Unallocated corporate assets					**-**	2
Total assets					**146,495**	144,798
LIABILITIES						
Reportable segment liabilities	**49,380**	54,372	**92**	62	**49,472**	54,434
Unallocated corporate liabilities					**-**	–
Total liabilities					**49,472**	54,434
OTHER SEGMENT INFORMATION						
Interest income	**2**	18	**-**	–	**2**	18
Interest expenses	**(1,585)**	(1,794)	**-**	–	**(1,585)**	(1,794)
Depreciation and amortization	**(2,974)**	(2,887)	**(2,280)**	(2,280)	**(5,254)**	(5,167)
Bad debt recovered	**9,381**	15,589	**-**	–	**9,381**	15,589
Impairment loss on trade receivables written back	**1,722**	1,626	**-**	–	**1,722**	1,626
Impairment loss on other receivables written back	**10**	1,282	**-**	–	**10**	1,282
Change of fair value less costs to sell of biological assets	**-**	–	**7,560**	6,158	**7,560**	6,158
Reversal of revaluation deficit on buildings for own use previously recognized in income statement	–	625	**-**	–	**-**	625
Rental income	**1,000**	1,000	**-**	–	**1,000**	1,000
Impairment loss on trade receivables	**(574)**	–	**-**	–	**(574)**	–
Impairment loss on property, plant and equipment	**(3,068)**	–	**-**	–	**(3,068)**	–
Income tax expenses	**-**	–	**-**	–	**-**	–
Additions to non-current segment assets during the year	**-**	–	**3,400**	15,600	**3,400**	15,600

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year. (2012: Nil)

5. SEGMENT INFORMATION (CONTINUED)

(b) 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.

(c) Information about major customers

For the year ended 31 December 2013, there was no customer attributable to Chinese herbs business individually contributed to 10% or more to the Group's revenue. There was a customer attributable to Medicine business individually contributed to 10% or more to the Group's revenue. Total sales to this customer amounted to RMB6,000.

For the year ended 31 December 2012, there were two customers attributable to Chinese herbs business individually contributed to 10% or more to the Group's revenue. Total sales to these two customers amounted to approximately RMB4,615,000 and RMB4,500,000 respectively. There were no other customers attributable to Medicine business individually contributed to 10% or more to the Group's revenue.

Details of concentration of credit risk arising from these customers are set out in note 35.

6. TURNOVER AND OTHER REVENUE

	2013 **RMB'000**	2012 RMB'000
Turnover:		
Sales of medicines	**5**	490
Sales of Chinese herbs	**–**	9,215
	5	9,705
Other revenue:		
Interest income from bank deposits	**2**	18
Bad debts recovered	**9,381**	15,589
Provision for impairment loss on trade receivables written back	**1,722**	1,626
Provision for impairment loss on other receivables written back	**10**	1,282
Reversal of revaluation deficit on buildings for own use previously recognized in income statement	**–**	625
Rental income	**1,000**	1,000
Sundry income	**700**	372
	12,815	20,512
Total revenues	**12,820**	30,217

Turnover represents the net amounts received and receivable for goods sold 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 rate of 17% ("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

	2013 **RMB'000**	2012 RMB'000
Interest on bank and other borrowing:		
– not wholly repayable within five years	**1,585**	1,794

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is stated after charging:

	2013 RMB'000	2012 RMB'000
Auditors' remuneration		
– Audit services	**300**	480
– Other services	**180**	–
Amortisation of land use rights	**247**	246
Amortisation of prepaid long-term rentals	**2,280**	2,280
Cost of inventories sold	**4**	5,913
Depreciation of property, plant and equipment	**2,727**	2,641
Loss on disposal of property, plant and equipment	**8**	12
Staff costs excluding directors' emoluments		
– Staff salaries and wages	**694**	879
– Provision for staff and workers' bonus and welfare fund	**70**	103
– Contributions to defined contribution retirement scheme	**115**	141

9. INCOME TAX EXPENSE

The income tax expense represents:

	2013 RMB'000	2012 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% (2012: 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.

No provision for EIT has been made as the Company and the Company's other subsidiaries has no taxable profits for the year (2012: Nil).

Reconciliation between profit before income tax expense and income tax expense at the applicable tax rate of 25% (2012: 25%) is as follows:

	2013 RMB'000	2012 RMB'000
Profit before income tax expense	**6,659**	19,640
Expected income tax thereon at applicable income tax rate	**1,665**	4,910
Tax effect of non-taxable income	**(5,007)**	(4,780)
Tax effect of profit exempted from income tax	**–**	(1,822)
Tax effect of tax losses not recognised	**3,342**	1,692
Income tax expense for the year	**–**	–

9. INCOME TAX EXPENSE (CONTINUED)

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 recognized as there are no material temporary differences which will result in a liability to be payable in the foreseeable future.

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to owners of the Company include a profit of RMB1,662,000 (2012: RMB12,355,000) which has dealt with in the financial statements of the Company.

11. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

12. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of approximately RMB6,659,000 (2012: RMB19,640,000) and the weighted average number of 746,654,240 ordinary shares (2012: 746,654,240 ordinary shares) in issue during the year.

(b) 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 2013 and 2012.

13. EMPLOYEE BENEFITS

(a) Retirement scheme

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. The Group and each employee are required to make monthly contributions to the retirement scheme at a rate of 20% (2012: 20%) and 8% (2012: 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.

14. DIRECTORS' EMOLUMENTS

Details of directors' emoluments disclosed pursuant to the requirements of the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	2013 RMB'000	2012 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and other benefits	**50**	44
Pension scheme contributions	**4**	8
	54	52

14. DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of every director for the year ended 31 December 2013 are set out below:

	Fees RMB'000	**Salaries, allowances and other benefits RMB'000**	**Pension scheme contributions RMB'000**	**Total emoluments RMB'000**
2013				
Executive directors:				
Liu Yang	**–**	**25**	**2**	**27**
Guo Feng	**–**	**–**	**–**	**–**
Qin Hai Bo	**–**	**25**	**2**	**27**
Independent non-executive directors:				
Niu Shu Min	**–**	**–**	**–**	**–**
Zhao Zhen Xing	**–**	**–**	**–**	**–**
Lam Kai Yeung	**–**	**–**	**–**	**–**
	–	**50**	**4**	**54**

The emoluments of every director for the year ended 31 December 2012 are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Pension scheme contributions RMB'000	Total emoluments RMB'000
2012				
Executive directors:				
Liu Yang	–	23	4	27
Guo Feng	–	–	–	–
Wang Xue Hua (resigned on 28 May 2012)	–	–	–	–
Jin Xin (resigned on 27 November 2012)	–	17	3	20
Qin Hai Bo (appointed on 27 November 2012)	–	4	1	5
Independent non-executive directors:				
Niu Shu Min	–	–	–	–
Zhao Zhen Xing	–	–	–	–
Lam Kai Yeung	–	–	–	–
	–	44	8	52

The three (2012: three) independent non-executive directors did not receive any emoluments for the year ended 31 December 2013 (2012: Nil).

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2013 (2012: 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 2013 (2012: Nil).

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2012: one) is a director whose emoluments are disclosed in note 14. The aggregate of the emoluments in respect of the other three (2012: four) individuals are as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries, housing benefits and other benefits	**73**	86
Pension scheme contributions	**6**	16
	79	102

The emoluments of each of the five highest paid individuals, including a director, were within the band of nil to RMB780,000 (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 2013 (2012: Nil).

16. INTANGIBLE ASSETS

	THE GROUP AND THE COMPANY		
	Technical know-how RMB'000	**Computer software** RMB'000	**Total** RMB'000
At cost:			
As at 1 January 2012	16,096	223	16,319
Additions	–	–	–
Written off	(16,096)	–	(16,096)
As at 31 December 2012 and at 1 January 2013	–	223	223
Additions	–	–	–
As at 31 December 2013	–	223	223
Accumulated depreciation and impairment losses:			
As at 1 January 2012	16,096	223	16,319
Charge for the year	–	–	–
Written back on disposal	(16,096)	–	(16,096)
As at 31 December 2012 and at 1 January 2013	–	223	223
Charge for the year	–	–	–
As at 31 December 2013	–	223	223
Net carrying amount:			
As at 31 December 2013	–	–	–
As at 31 December 2012	–	–	–

In last year, as a result of the termination of the development and sales of certain medicines, the Group had written off the technical know-how acquired for the development of such medicines.

17. LAND USE RIGHTS

Interests in land use rights represented prepaid operating lease payments and their net carrying amount are analysed as follows:

	THE GROUP AND THE COMPANY RMB'000
At Cost:	
As at 1 January 2012	12,323
Additions	–
As at 31 December 2012 and at 1 January 2013	12,323
Additions	–
As at 31 December 2013	12,323
Accumulated amortization:	
As at 1 January 2012	2,219
Amortisation for the year	246
As at 31 December 2012 and at 1 January 2013	2,465
Amortisation for the year	247
As at 31 December 2013	2,712
Net carrying amount:	
As at 31 December 2013	9,611
As at 31 December 2012	9,858

Notes:

(a) The land use rights of the Group as at 31 December 2013 and 2012 are held on medium term leases and situated in the PRC.

(b) As at 31 December 2013 and 2012, no land use rights were pledged as security.

18. PREPAID LONG-TERM RENTALS

Prepaid long-term rentals represent rental prepaid in connection with the acquisition of Forest Concession Right in the PRC under operating lease with a lease term of 70 years. The movements of prepaid long-term rentals are summarized as follows:

	THE GROUP	
	2013 **RMB'000**	2012 RMB'000
At Cost:		
As at 1 January	**80,978**	65,378
Additions	**3,400**	15,600
As at 31 December	**84,378**	80,978
Accumulated amortization:		
As at 1 January	**2,850**	570
Amortisation for the year	**2,280**	2,280
As at 31 December	**5,130**	2,850
Net carrying amount:		
As at 31 December	**79,248**	78,128

18. PREPAID LONG-TERM RENTALS (CONTINUED)

Analysis of prepaid long-term rental is as follows:

	THE GROUP	
	2013 RMB'000	2012 RMB'000
Non-current portion	**76,968**	75,848
Current portion	**2,280**	2,280
Net carrying amount at 31 December	**79,248**	78,128

19. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP AND THE COMPANY					
	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/valuation:						
As at 1 January 2012	53,963	–	12,814	730	3,535	71,042
Disposals	–	–	(242)	–	(179)	(421)
As at 31 December 2012 and at 1 January 2013	53,963	–	12,572	730	3,356	70,621
Additions	–	555	–	–	–	555
Disposals	–	–	–	–	(141)	(141)
As at 31 December 2013	53,963	555	12,572	730	3,215	71,035
Accumulated depreciation and impairment losses:						
As at 1 January 2012	19,993	–	7,930	427	2,976	31,326
Charge for the year	1,372	–	1,031	63	175	2,641
Written back on disposals	–	–	(239)	–	(170)	(409)
Adjustment on revaluation	(625)	–	–	–	–	(625)
As at 31 December 2012 and at 1 January 2013	20,740	–	8,722	490	2,981	32,933
Charge for the year	1,399	7	1,108	55	158	2,727
Written back on disposals	–	–	–	–	(133)	(133)
Impairment loss charge for the year	704	–	2,364	–	–	3,068
As at 31 December 2013	22,843	7	12,194	545	3,006	38,595
Net carrying amount:						
As at 31 December 2013	31,120	548	378	185	209	32,440
As at 31 December 2012	33,223	–	3,850	240	375	37,688

Notes:

(a) As at 31 December 2013, the Group's buildings were appraised by Asset Appraisal Limited, an independent Hong Kong professional valuer not connected to the Group. These properties were appraised on the basis of replacement cost and were carried in the consolidated statement of financial position at fair market value of approximately RMB31,120,000 as at 31 December 2013. The impairment loss of approximately RMB704,000 has been charged to profit or loss during the year.

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(b) As at 31 December 2012, the Group's buildings were appraised by Asset Appraisal Limited, an independent Hong Kong professional valuer not connected to the Group. These properties were appraised on the basis of replacement cost and were carried in the consolidated statement of financial position at fair market value of approximately RMB33,223,000 as at 31 December 2012. The surplus arising on the revaluation of approximately RMB625,000 has been credited to profit or loss during the year.

(c) As at 31 December 2013 and 2012, no buildings were pledged as a security.

(d) Impairment losses recognized in respect of certain machineries (under medicine business segment) in the year amounted to approximately RMB2,364,000 (2012: Nil). These losses are attributable to greater than anticipated wear and tear and have been charged in profit or loss.

(e) 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	**Level 2**	**Level 3**	**Fair value as at 31/12/2013**
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
– Buildings held for own use	–	–	31,120	31,120

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the year. 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

	Valuation technique	**Unobservable inputs**	**Range**
Buildings held for own use	Replacement cost approach	Unit replacement costs	RMB1,322 – RMB2,928 per square metre
		Building residue rates	68% – 78%
		Leasehold improvement residue rates	10% – 30%

The fair value of buildings held for own use is determined using replacement cost approach by estimating current replacement cost of buildings on a cost per square metre basis, adjusted for residue rates specific to the quality of the Group's buildings. Higher rate for higher quality buildings will result in a higher fair value measurement.

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

	RMB'000
At 1 January 2013	33,223
Depreciation charge for the year	(1,399)
Impairment loss	(704)
At 31 December 2013	31,120

20. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**20,200**	20,200

Particulars of the subsidiaries are set out in note 32 to the consolidated financial statements.

21. BIOLOGICAL ASSETS

Biological assets represent Chinese herbs growing in Antao County, Jilin Province PRC. The movements of biological assets are summarized as follows:

	THE GROUP	
	2013	2012
	RMB'000	RMB'000
As at 1 January	**13,127**	12,381
Decrease due to harvest (note(i))	**–**	(5,412)
Gain arising from change in fair value less costs to sell (note(ii))	**7,560**	6,158
As at 31 December	**20,687**	13,127

Notes:

(i) The quantity and amount of agricultural produce harvested measured at fair value less costs to sell during the year are analysed as follows:

	Approximate number of quantity		Amount	
	2013	2012	**2013**	2012
	'000	'000	**RMB'000**	RMB'000
Chinese herbs – Underground Ginsengs (matured)	**–**	20	**–**	5,412

(ii) 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.

(iii) 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	
	2013	2012	**2013**	2012
	'000	'000	**RMB'000**	RMB'000
Chinese herbs – Ginsengs (matured)	**110**	110	**20,687**	13,127

As at 31 December 2013, no biological assets had been pledged as security (2012: Nil).

21. BIOLOGICAL ASSETS (CONTINUED)

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.

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":

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Fair value as at 31/12/2013** RMB'000
Recurring fair value measurement				
– Biological assets	–	21,034	–	21,034

There were no transfers into or out of Level 2 during the year. 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.

22. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**6**	574	**6**	574
Prepayment and other receivables	**1,069**	1,070	**1,050**	1,049
	1,075	1,644	**1,056**	1,623

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.

As at 31 December 2013, the ageing analysis of trade receivables presented based on the invoice date is as follows:

	THE GROUP AND THE COMPANY	
	2013	2012
	RMB'000	RMB'000
0 – 30 days	**–**	–
31 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 180 days	**–**	–
181 – 365 days	**6**	519
Over 365 days	**4,213**	5,416
Total trade receivables	**4,219**	5,935
Less: Provision for impairment	**(4,213)**	(5,361)
Total trade receivables, net of provision	**6**	574

Trade receivables at the end of reporting period mainly comprise amounts receivable from sales of Chinese medicine products. 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 RMB6,000 (2012: RMB574,000) 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.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2013 RMB'000	2012 RMB'000
91 – 180 days	**–**	–
181 – 365 days	**6**	519
Over 365 days	**–**	55
	6	574

Movement in provision for impairment:

	THE GROUP AND THE COMPANY	
	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	**5,361**	6,987
Provision made	**574**	–
Reversal	**(1,722)**	(1,626)
Balance at end of the year	**4,213**	5,361

23. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

24. CASH AND CASH EQUIVALENTS

	THE GROUP		**THE COMPANY**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Cash and bank balances	**3,434**	4,353	**46**	1

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

Bank balances are interest bearing at respective saving deposits rate in the PRC, and the effective interest rates of the Group's balances is 0.35% (2012: 0.40%) per annum.

25. TRADE AND OTHER PAYABLES

	THE GROUP		**THE COMPANY**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Trade payables	**3,488**	3,482	**3,488**	3,482
Payable for PRC statutory contribution	**577**	577	**577**	577
Other taxes payable	**498**	472	**498**	472
Other payables and accruals	**1,859**	1,803	**1,767**	1,741
	6,422	6,334	**6,330**	6,272

25. TRADE AND OTHER PAYABLES (CONTINUED)

As at 31 December 2013, the ageing analysis of trade payables presented based on the invoice date is as follows:

	THE GROUP AND THE COMPANY	
	2013	2012
	RMB'000	RMB'000
0 – 1 month	**–**	–
2 – 6 months	**–**	–
7 – 12 months	**6**	300
Over 1 year	**3,482**	3,182
	3,488	3,482

The average credit period on purchases of certain goods is 120 days.

26. SHORT-TERM BORROWINGS

	THE GROUP AND THE COMPANY	
	2013	2012
	RMB'000	RMB'000
Other borrowings	**10,000**	10,000

The balance represents an unsecured interest-free loan of RMB10,000,000 granted by China Gaoxin Investment Group Corporation, an unrelated company which was administratively supervised by the State Economic Development Committee, for the purpose of developing Yong Chong Cao Jun Powder and Yong Chong Cao Jun Powder Capsule. The borrowings are repayable on demand.

27. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and not repayable within twelve months.

28. LONG-TERM BORROWINGS

	THE GROUP AND THE COMPANY	
	2013	2012
	RMB'000	RMB'000
After one year but within two years (Note (i))	**7,600**	11,100
After two years but within five years	**–**	–
After five years (Note (ii))	**24,000**	27,000
	31,600	38,100

Notes:

(i) The balance represents loan from an ex-shareholder and is unsecured, interest-free and not repayable within twelve months.

(ii) The long-term borrowing with carrying amount of RMB24,000,000 (2012: RMB27,000,000) 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. During the year, the Group has repaid an undue principal amount of RMB3,000,000 to JCFB.

29. SHARE CAPITAL

	2013 RMB'000	2012 RMB'000
Authorised, issued and fully paid:		
539,654,240 domestic shares of RMB0.1 each	**53,965**	53,965
207,000,000 H shares of RMB0.1 each	**20,700**	20,700
Total ordinary shares as at 31 December	**74,665**	74,665

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.

30. RESERVES

	The Company				
	Share premium RMB'000	**Capital reserve** RMB'000	**Statutory revenue reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
As at 1 January 2012	19,027	11,326	9,685	(47,083)	(7,045)
Profit for the year	–	–	–	12,355	12,355
As at 31 December 2012 and at 1 January 2013	19,027	11,326	9,685	(34,728)	5,310
Profit for the year	–	–	–	1,662	1,662
As at 31 December 2013	19,027	11,326	9,685	(33,066)	6,972

Notes:

(a) 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.

(b) The statutory revenue 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 2013, no statutory revenue reserve was transferred into share capital subsequent to the Company's reorganisation to a joint stock limited Company (2012: Nil).

(c) 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.

(d) 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.

31. 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 are not disclosed in this note.

(b) Compensation of key management personnel of the Group

Details of remuneration and related benefits of the key management personnel are disclosed in note 14.

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(c) Details of amount due to a shareholder are disclosed in note 27.

32. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries of the Company as at 31 December 2013 and 2012 are as follows:

Name of Company	Place of incorporation/ operation	Form of legal entity	Registered capital	Proportion of nominal value of issued capital/ registered capital 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%	Plantation, cultivation and sale of Chinese herbs
吉林市東北虎經貿有限責任公司	The People's Republic of China	Limited liability company	RMB100,000	100%	Inactive
吉林市東北虎商務有限責任公司	The People's Republic of China	Limited liability company	RMB100,000	100%	Inactive

33. OPERATING LEASE COMMITMENTS

As the 31 December 2013, the Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	THE GROUP	
	2013	2012
	RMB'000	RMB'000
Within one year	**–**	–
In the second and fifth year, inclusive	**–**	–
After five years	**73,530**	76,930
	73,530	76,930

34. 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.

34. CAPITAL RISK MANAGEMENT (CONTINUED)

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. The gearing ratios at 31 December 2013 and 2012 are as follows:

	2013 **RMB'000**	2012 RMB'000
Total liabilities	**49,472**	54,434
Total assets	**146,495**	144,798
Gearing ratio	**34%**	38%

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets *Loans and receivables (including cash and cash equivalent)*	**3,519**	4,927
Financial liabilities *Financial liabilities at amortised costs*	**49,472**	54,434

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade and other payables, short-term borrowings 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

The Group's main trading operations are in the PRC and have no significant exposure to any specific foreign currency other than Renminbi.

All the Group's cash and cash equivalents are denominated in Renminbi and deposited in banks located in the PRC. All trade and other receivables, trade and other payables and borrowings of the Group are denominated in Renminbi. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

Interest rate risks

The Group's cash flow interest rate risk relates primarily to bank balances and long-term borrowings as disclosed in notes 24 and 28 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.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

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 2013 would decrease/increase by approximately RMB103,000 (2012: decrease/increase RMB113,000). 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 2013, 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 trade receivables, the management of the Group has strengthened the credit limits, credit approvals and other 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% (2012: 90%) and 100% (2012: 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.

(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, short-term borrowings and long-term borrowing as significant sources of liquidity.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk management (continued)

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.

2013

	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	**6,422**	**-**	**-**	**-**	**6,422**	**6,422**
Short-term borrowings	**10,000**	**-**	**-**	**-**	**10,000**	**10,000**
Amount due to a shareholder	**-**	**1,450**	**-**	**-**	**1,450**	**1,450**
Long-term borrowings	**1,434**	**9,034**	**4,308**	**34,887**	**49,663**	**31,600**
	17,856	**10,484**	**4,308**	**34,887**	**67,535**	**49,472**

2012

	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	6,334	–	–	–	6,334	6,334
Short-term borrowings	10,000	–	–	–	10,000	10,000
Long-term borrowings	1,158	12,258	3,477	36,254	53,147	38,100
	17,492	12,258	3,477	36,254	69,481	54,434

(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 recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. CONTINGENT LIABILITIES

As at 31 December 2013, the Group and the Company has no material contingent liabilities (2012: Nil).

37. MATERIAL EVENTS

On 7 October 2011, the Group completed the acquisition of a Forest Concession Right in the PRC from an independent third party (the "Vendor") at the consideration of RMB173,530,000 for a term of approximately 70 years until 31 December 2080 (the "Acquisition"). The Acquisition constituted a very substantial acquisition of the Company under the GEM Listing Rules, details of which were set out in the Company's circular dated 19 August 2011.

The Acquisition enabled the Group to develop three major industries on the forest land, namely: (1) breeding of traditional Chinese medicine herbs; (2) tourism industry; and (3) timber logging. However, the Group has recently discovered that timber logging permit could not be obtained. The Company considered that it would amount to a breach of the relevant terms of the Acquisition by the Vendor. As a result, the Vendor has offered a proposal to settle the dispute. The Company is currently reviewing the Vendor's offer and seeking legal advice in this regard. Details of dispute are set out in the Company's announcement dated 27 December 2013.

38. EVENTS AFTER REPORTING PERIODS

Except disclosed elsewhere in the consolidated financial statements, there was no significant events after reporting periods.

Financial Summary

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

	Year ended 31 December				
	2013	2012	2011	2010	2009
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(Loss) attributable to owners of the Company	**6,659**	19,640	7,862	(22,370)	442

	2013	2012	2011	2010	2009
Assets and liabilities	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**146,495**	144,798	134,153	136,560	102,640
Total liabilities	**(49,472)**	(54,434)	(63,429)	(73,698)	(17,408)
Owners' equity	**97,023**	90,364	70,724	62,862	85,232