



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 2014

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

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EXECUTIVE DIRECTORS

Liu Yang
Guo Feng
Qin Haibo

INDEPENDENT NON-EXECUTIVE DIRECTORS

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
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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 2014.

Business Review

During the year of 2014, the global economy was relatively stable, overcapacity and other negative impact brought about by the economic stimulation policies have also emerged. Under the influence of the international economy and the PRC Government's macro-regulation, the economic growth in the PRC experienced a slowdown and the PRC's GDP growth was 7.4%, being the lowest level within 15 years. Changes in the external economic environment have led to increasing competition in the pharmaceutical industry. The pharmaceutical industry experienced a dynamic change and restructuring as more comprehensive and deepened reforms policies were implemented with the aim of providing the nation's citizens access to basic and quality medical services at reasonable price. These policies included, inter alia, the implementation of new GMP to upgrade production quality and eliminate the non-compliance pharmaceutical enterprises, implementing more detailed policies to further optimize the drug tendering system of essential drugs and taking measures to regulate the drug promotion activities. The stricter policies and intensified market competition increased the production and operational costs, domestic price index kept surging, together with the increasing production and sales cost, further squeezed industry profitability.

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

On 27 September 2010, Xinxing Co (a wholly-owned subsidiary of the Company) entered into the Agreement (as amended by a supplemental agreement dated 24 February 2011) with Fu Man Shan Zhen, pursuant to which Fu Man Shan Zhen has agreed to transfer to Xinxing Co the Forest Concession Right of the Forest Land at the consideration of approximately RMB173,530,000 for a term of approximately 70 years until 31 December 2080. Pursuant to the Agreement, the first instalment of RMB100,000,000 shall be paid by Xinxing Co to the Fu Man Shan Zhen by way of cash on or before 31 December 2010; the remaining RMB73,530,000 shall be paid in 10 equal instalments in cash in the coming ten years before 31 December each year, commencing from 2011. The Acquisition was approved in an extraordinary general meeting of the Company on 6 October 2011, and was subsequently completed.

As disclosed in the latest annual report of the Company, the acquisition of 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) breeding of traditional Chinese medicine herbs, (B) tourism industry, (C) timber logging. The timber logging business has not been carried out by the Group and the Company has focused on breeding and processing of traditional Chinese medicine, especially breeding and processing of underground ginseng. In order to extend the business to the timber logging, the logging permits are required. It has recently been discovered that the relevant logging permits could not be obtained. The relevant government authorities did not indicate the relevant logging permits could be obtained in the foreseeable future and no reason has been provided so far.

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

The Company has already paid a sum of approximately RMB102,300,000 out of the total consideration of RMB173,530,000 pursuant to the Agreement, of which RMB2,300,000 has been returned by Fu Man Shan Zhen to Xinxing Co in December 2013. As a result of the said subsequent development, Fu Man Shan Zhen and Xinxing Co entered into the Settlement Agreement on 14 March 2014 whereby the parties thereto agreed and confirmed that:- (i) the Forest Concession Right (subject to the Breeding Rights) shall be returned to Fu Man Shan Zhen; and (ii) Xinxing Co shall no longer be liable to settle the unpaid portion of the consideration pursuant to the Agreement. According to the Settlement Agreement, for a sum of approximately RMB102,300,000 paid by Xinxing Co:- (a) RMB10,000,000 be paid by Fu Man Shan Zhen in cash within 15 days after the signing of the Settlement Agreement and (b) remaining sum of RMB90,000,000 be paid by 18 equal installments in cash in the coming 18 years before 31 December each year, commencing from 2014. In order to secure the repayment of the Amount owed by Fu Man Shan Zhen, Fu Man Shan Zhen also agreed that Xinxing Co shall continue to have the Breeding Rights until full payment, in addition to the right to further claim against Fu Man Shan Zhen for its default in repaying any part of the Amount owed, if any. For the avoidance of doubt, Fu Man Shan Zhen and Xinxing Co agreed that the ownership of any biological assets in the Forest Land shall belong

to Xinxing Co. In the event of early repayment of the Amount owed by Fu Man Shan Zhen with prior consent of Xinxing Co, the Settlement Agreement will be terminated. The Breeding Rights shall lapse upon termination of the Settlement Agreement. The ownership of the biological assets on the Forest Land (if not harvested beforehand) will belong to Fu Man Shan Zhen instead after the termination. However, Xinxing Co has the right to harvest all biological assets on the Forest Land prior to the time of lapse of Breeding Rights. Further, Xinxing Co has the priority to continue to use the Forest Land on same rate as those offered by other parties, should it wish to continue to use the Forest Land.

The Settlement Agreement was approved on 29 May 2014 by Shareholders of the Company at a general meeting in accordance with the GEM Listing Rules.

Breeding and processing of Traditional Chinese Medicine

Chinese medicine herbs including underground ginseng (林下參), asarum (細辛), acanthopanax (刺五加), fritillaria ussuriensis maxim (平貝母), fragrant solomonseal rhizome (玉竹), and forest frog (林蛙) can be planted or 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 2012. In the above opinion, the brand "Changbai Mountain Ginseng" has to be reinforced in full gear and through various policies, industry production chain will be reinforced. As such, GAP underground ginseng will be further developed in the near future.

(ii) Asarum (細辛)

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

(iii) Acanthopanax senticosus (刺五加)

Acanthopanax senticosus is acanthopanax and deciduous shrub with perennial rootstock. It is mainly distributed in three provinces of Northeast part of the PRC (Heilongjiang, Jilin and Liaoning), also in Hebei Province and Shanxi Province. Cortex of Acanthopanax Senticosus (cortex acanthopanax) is a common valuable Chinese material for producing Chinese medicine. Acanthopanax Senticosus is suitable to be planted in a sparse forestland and the harvesting cycle is normally about 4-6 years. Before the freeze-up starting from late October each year, 133 acanthopanax senticosuses per mu can be planted in the Forest Land and can be harvested once every 5 years. According to on-site investigation of the Forest Land, approximately 350 hectares (the available area is 140 hectares) is suitable for breeding of acanthopanax senticosus. The production value of acanthopanax senticosus is approximately RMB1,064 per mu.

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

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

(v) *Fragrant Solomonseal Rhizome* (玉竹)

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

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

Schizandra (北五味子) is a common valuable Chinese medicinal material. *Schisandra chinensis* is nourishing and is the first choice for producing health care products and drugs that are beneficial to brain, can soothe the nerves and regulate the nervous system. *Schizandra* can also serve as a processing raw material for fruit wines and fruit drinks. *Schizandra* is a multi-functional, multi-use wild 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 approximately RMB40-50 per kg. Planting (cultivating) the materials in the Forest Land can enhance taste of product, prolong or shorten harvest time. according to market quotations because of less 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 approximately RMB5,200 per kg.

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

Chairman's Statement

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

- (1) as the economy of the PRC is developing and people start to have more concern on their health, they are willing to spend on purchasing health-related products or health supplement to improve their health. Ginseng has long been regarded as having a high nutrition value and can cure different kinds of health problems and is widely used in Chinese pharmaceutical products;
- (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.

The Group's vision is to become one of the leading pharmaceutical enterprises in Jilin Province, the PRC. To achieve this, the Group plans to accomplish its goal through the following strategies:

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

Prospects

The outlook for the PRC economy will remain uncertain in 2015. It is estimated that the economic growth will slow down further. Meanwhile, the PRC pharmaceutical industry is expected to face many uncertainties as well. While the reforms relating to medical system and healthcare institutions have been deepened, more policies are expected to be announced in 2015. However, in long-term, China's pharmaceutical market will still be the most potential market around the world with a growing momentum in general. Particularly, following the industry restructuring upon the completion of medical reform and the implementation of the New GMP, domestic medical system will keep optimizing; and with the increasing purchasing power of China's consumers, China's pharmaceutical market demand will be greater and greater. All these factors will create scope for the growth of the pharmaceutical industry. Therefore, there will be both opportunities and challenges within the industry.

However, in the middle term, the industry will go through a process of elimination and consolidation. There remains material uncertainty in such operation environment. For such reasons, the Group will stay with a prudent policy in order to make a breakthrough with strategy. In 2015, the Group will continue to contribute more resources capital expenditure related to potential new project with an aim to strengthen our advantages to deal with market competition. The Group plans to restructure its operation model to improve production efficiency and product quality to further capture new market and refine and extend sales network in order to get advantages in the changing market in an most economically efficient way.

Meanwhile, under the situation that the competition among China's medical market becomes increasingly intense and the market is full of uncertainty, the Group keeps looking for opportunity to increase its profitability and diversify its business. In general, under the condition that the central government and the society will continue to invest resources, the Group remains fully confident in the business development in 2015.

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

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") its subsidiaries (collectively referred to as "Group") for the year ended 31 December 2014.

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	71%
– 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 20.

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 23 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 2014 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

Fu Man Shan Zhen and Xinxing Co entered into the Settlement Agreement on 14 March 2014 (please refer to circular published on 17 April 2014 for details), the financial effects upon completion of Settlement Agreement on 29 May 2014 are as follows:

Report of the Directors

RMB'000

Derecognised of prepaid long-term rentals under operating lease (note 18 to the consolidated financial statements)	78,298
Cash Refund	(10,000)
Recognition of Fu Man Zhan Zhen Receivable (note 22 to the consolidated financial statements)	(29,610)
Recognition of Breeding Rights (note 16 to the consolidated financial statements)	(13,240)
Loss recognised in respect of the Settlement Agreement	25,448

Save as disclosed above, the Group did not dispose of any major assets and investments during the year.

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 2014 and 2013, no assets were pledged as security.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2014 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, 2014, 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:

Report of the Directors

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, 2014, 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

So far as was known to any Director or Supervisor, as at 31 December, 2014, the persons or companies (not being a Director or Supervisor of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follow:

Long positions in Shares

Name	Number of domestic shares held	Approximate percentage of Shareholding (%)
Zhang Chun Hua	150,644,480	20.18%

Save as disclosed above, as at 31 December, 2014, 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.

Report of the Directors

The audit committee had conducted a meeting and reviewed Group's unaudited results for the period ended 31 December, 2014 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 2014.

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 2015 to 29 May 2015 (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 4:30 p.m. on 27 April 2015, 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.

Qualification and Experiences of Valuer

The Valuer is Beijing Hwasion Concord Assets Appraisal Co., Limited which is based in PRC, its scope of business is to conduct all kinds of valuation, overall valuation on assets held by corporations and other kinds of valuation of assets and projects. The Valuer has been granted 資產評估資格證書 (Asset Valuation Qualification Certificate*) by 北京市財政局 (Finance Department of Beijing*) on 19 July 2007 and has the capability to conduct asset valuation activities. The Valuer has also been granted 證券期貨相關業務評估資格證書 (Securities and Futures Related Business Valuation Qualification Certificate*) by 中國財政部 (Ministry of Finance of China) and 中國證券監督管理委員會 (China Securities Regulatory Commission) on 1 August 2010 and has the capability to conduct securities and futures related valuation activities. The Valuer has experiences in conducting valuation on forest concession right, timber, nursery stock and ginseng.

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
6 March 2015

Management Discussion and Analysis

For the year ended 31 December 2014, turnover of the Group increased by approximately 480.00% to approximately RMB29,000, overall gross profit margin decreased by approximately 9.66% from Approximately 20% to approximately 10.34%. Other revenue decreased RMB6,408,000 from approximately RMB12,815,000 to approximately RMB6,407,000, mainly due to decrease from Bad debts recovered of RMB9,252,000. Gain arising from change of fair value less costs to sell of biological assets amounted to approximately RMB 2,641,000 (2013: RMB7,560,000) and there was no impairment on trade receivables (2013: 574,000), also there was no impairment on property, plant and equipment (2013: RMB3,068,000). Loss in respect of the Settlement Agreement amounted to approximately RMB25,448,000(2013: nil), there was no distribution and selling expenses (2013: RMB404,000), General, administrative and operating expenses increased by 10.52% from RMB8,086,000 to RMB8,937,000. Finance costs decrease 13.31% to approximately RMB1,374,000, loss attributable to shareholders amounted to approximately RMB26,708,000 (2013: profit approximately RMB6,659,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2014, the Group had total assets of approximately RMB108,957,000 which were financed by current liabilities of approximately RMB16,142,000, long-term liabilities of approximately RMB22,500,000 and shareholders' equity of approximately RMB70,315,000.

The Group generally services its debts primarily through cash generated from its operations. As at 31 December, 2014, the Group had cash and bank balances of approximately RMB5,000. 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, 2014, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 1.93:1, 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 35.47%, 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 22 (2013: 24), payroll costs of the Group amounted to RMB930,000 (2013: RMB879,000). 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.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Liu Yang, aged 44, 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 39, 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 43, 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 45. 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 75, 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 72, 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 52, 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 59, 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 45, 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 44, 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 2014 and has great confidence in the future of the Group.

By Order of the Supervisory Committee
Zhang Ya Bin
Chairman

Jilin, the PRC
6 March 2015

INTRODUCTION

Subject to the deviation as disclosed on this report, the Company has complied with all the code provisions on Corporate Governance Code 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 29 May 2015 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 code.

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 2014. 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.

Corporate Governance Report

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 2014 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 19 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 2014.

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 Code introduced by the Stock Exchange.

Notice of Annual General Meeting

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 2015 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 2014;
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 2014;
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.

Notice of Annual 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 transact any other business, if any.

By Order of the Board
Liu Yang
Chairman

Jilin, the PRC
6 March 2015

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 need 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 2015 to 29 May 2015 (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 4:30 p.m. on 27 April 2015, 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 2015.

Independent Auditors' Report

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

(A joint stock limited liability 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 20 to 59, which comprise the consolidated and Company statements of financial position as at 31 December 2014, 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 2014 and of Group's loss 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 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

6 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Renminbi)

	Notes	2014 RMB'000	2013 RMB'000
Turnover	6	29	5
Cost of sales		(26)	(4)
Gross profit		3	1
Other revenue	6	6,407	12,815
Gain arising from changes of fair value less costs to sell of biological assets	21	2,641	7,560
Impairment losses on trade receivables	22	-	(574)
Impairment losses on property, plant and equipment	19	-	(3,068)
Loss in respect of the Settlement Agreement	18	(25,448)	-
Distribution and selling expenses		-	(404)
General, administrative and operating expenses		(8,937)	(8,086)
Finance costs	7	(1,374)	(1,585)
(Loss)/profit before income tax expense	8	(26,708)	6,659
Income tax expense	9	-	-
(Loss)/profit for the year		(26,708)	6,659
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(26,708)	6,659
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		(26,708)	6,659
Dividends	11	-	-
(Loss)/earnings per share	12		
Basic		(3.58cents)	0.89cents
Diluted		N/A	N/A

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014
(Expressed in Renminbi)

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Intangible assets	16	12,874	–
Land use rights	17	9,365	9,611
Prepaid long-term rentals under operating lease			
– Non-current portion	18	–	76,968
Property, plant and equipment	19	33,008	32,440
Trade and other receivables			
– Non-current portion	22	22,564	–
		77,811	119,019
Current assets			
Biological assets	21	23,328	20,687
Prepaid long-term rentals under operating lease			
– Current portion	18	–	2,280
Trade and other receivables – Current portion	22	7,813	1,075
Cash and bank balances	24	5	3,434
		31,146	27,476
Total assets		108,957	146,495
Less: Current liabilities			
Trade and other payables	25	6,142	6,422
Short-term borrowings	26	10,000	10,000
		16,142	16,422
Net current assets		15,004	11,054
Non-Current Liabilities			
Amount due to a shareholder	27	–	1,450
Long-term borrowings	28	22,500	31,600
		22,500	33,050
Net assets		70,315	97,023
Capital and reserves attributable to owners of the Company			
Share capital	29	74,665	74,665
Reserves		(4,350)	22,358
Total equity		70,315	97,023

These consolidated financial statements were approved by the Board of Directors on 6 March 2015 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

AS AT 31 DECEMBER 2014
(Expressed in Renminbi)

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Intangible assets	16	63	–
Land use rights	17	9,365	9,611
Property, plant and equipment	19	33,008	32,440
Investments in subsidiaries	20	20,200	20,200
		62,636	62,251
Current assets			
Trade and other receivables	22	1,065	1,056
Amounts due from subsidiaries	23	51,329	67,664
Cash and bank balances	24	3	46
		52,397	68,766
Total assets		115,033	131,017
Less: Current liabilities			
Trade and other payables	25	6,034	6,330
Short-term borrowings	26	10,000	10,000
		16,034	16,330
Net current assets		36,363	52,436
Non-Current Liabilities			
Amount due to a shareholder	27	–	1,450
Long-term borrowings	28	22,500	31,600
		22,500	33,050
Net assets		76,499	81,637
Capital and reserves attributable to owners of the Company			
Share capital	29	74,665	74,665
Reserves	30	1,834	6,972
Total equity		76,499	81,637

These consolidated financial statements were approved by the Board of Directors on 6 March 2015 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 2014
(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2013	74,665	19,027	11,326	9,685	(24,339)	90,364
Profit and other comprehensive income for the year	-	-	-	-	6,659	6,659
As at 31 December 2013 and at 1 January 2014	74,665	19,027	11,326	9,685	(17,680)	97,023
Loss and other comprehensive expense for the year	-	-	-	-	(26,708)	(26,708)
As at 31 December 2014	74,665	19,027	11,326	9,685	(44,388)	70,315

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax expense	(26,708)	6,659
Depreciation of property, plant and equipment	1,547	2,727
Amortisation of intangible assets	432	–
Amortisation of land use rights	246	247
Amortisation of long-term prepaid rentals	950	2,280
Interest on long-term borrowings	1,374	1,585
Reversal of impairment losses recognised on trade receivables	–	(1,722)
Reversal of impairment losses recognised on other receivables	–	(10)
Impairment recognised on trade receivables	–	574
Change in fair value less costs to sell of biological assets	(2,641)	(7,560)
Reversal of impairment losses on buildings for own use previously recognized in profit or loss	(2,084)	–
Loss on disposal of property, plant and equipment	–	8
Loss in respect of the Settlement Agreement	25,448	–
Overprovision of other tax payables	(230)	–
Impairment losses on other receivables	13	–
Impairment losses on property, plant and equipment	–	3,068
Imputed interest income	(2,954)	–
Bank interest income	(5)	(2)
Operating (loss)/profit before movements in working capital	(4,612)	7,854
(Increase)/decrease in trade and other receivables	(1,751)	1,727
(Decrease)/Increase in trade and other payables	(51)	88
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(6,414)	9,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest income	5	2
Acquisition of property, plant and equipment	(30)	(555)
Acquisition of intangible assets	(66)	–
Payments of prepaid long-term rentals	–	(3,400)
Refund of prepaid long-term rentals	15,000	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	14,909	(3,953)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment to)/advance from a shareholder	(1,450)	1,450
Repayment of long-term borrowings	(9,100)	(6,500)
Interest on long-term borrowings	(1,374)	(1,585)
NET CASH USED IN FINANCING ACTIVITIES	(11,924)	(6,635)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,429)	(919)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,434	4,353
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	3,434
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5	3,434

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Renminbi)

1. CORPORATE INFORMATION

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

The principal activities of the Company are development, manufacture, 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")

In the current year, the Group has applied, for the first time, the following new interpretation and amendments (hereinafter collectively referred to as the new and revised HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Leases

The application of these new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments ⁽¹⁾
HKFRS 14	Regulatory Deferral Accounts ⁽²⁾
HKFRS 15	Revenue from Contracts with Customers ⁽³⁾
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ⁽⁵⁾
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽⁵⁾
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁽⁵⁾
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ⁽⁴⁾
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ⁽⁵⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁵⁾
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle ⁽⁶⁾
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle ⁽⁴⁾
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ⁽⁵⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

⁽²⁾ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted

⁽³⁾ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁽⁴⁾ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁽⁵⁾ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁽⁶⁾ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 Financial Instruments

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED) HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 are described as follows:

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

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Group's financial statements until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

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

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

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

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

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

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

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

(c) Basis of consolidation

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (Continued)

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

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

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

Buildings	25-35 years or the remaining period of the land use right, whichever is shorter
Leasehold improvements	5 years
Machinery	5-11 years
Motor vehicles	8 years
Office equipment and others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is dealt with in profit or loss in the year in which the item is derecognised.

(f) Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

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

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

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

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

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

– Breeding rights	18 years
– computer software	10 years

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (Continued)

Derecognition of intangible assets

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

(g) Impairment of tangible and intangible assets

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

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

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

(h) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or for conversion into additional biological assets. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of biological assets is determined based on current market prices of biological assets with similar size, condition, species and age. 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 are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. 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 of inventories is determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) Borrowing costs

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

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

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

(k) Financial instruments

Financial assets and financial liabilities are recognised when 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(i) Financial assets (continued)

Objective evidence of impairment could include:

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

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 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 collateralised borrowing for the proceeds received.

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Income tax

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

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

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

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

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

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

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

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

(m) Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

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

Rental income from operating leases is recognized in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense 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 (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (2) one entity is an associate or joint venture of another entity (or of an associate or joint venture of a member of a group of which the other entity is a member);
- (3) both entities are joint ventures of the same third party;
- (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (6) the entity is controlled or jointly controlled by a person identified in (i); 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 a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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

(o) Fair value measurement

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Fair value measurement (continued)

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.

(r) Leases

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(5) 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.

(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 2014, the carrying amount of property, plant and equipment was approximately RMB33,008,000 (2013: RMB32,440,000).

(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 the 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 2014, the carrying amount of buildings is approximately RMB31,899,000 (2013: RMB31,120,000).

(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 2014, the carrying amount of trade receivables, net of provision for impairment, was approximately RMB15,000 (2013: RMB6,000) and the carrying amount of Fu Man Shan Zhen receivable and prepayment and other receivables were approximately RMB27,564,000 (2013: Nil) and RMB2,798,000 (2013: RMB1,069,000) respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(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 2014, the carrying amount of biological assets was approximately RMB23,328,000 (2013: RMB20,687,000).

(v) Impairment on non-financial assets

Determining whether non-financial assets are impaired requires an estimation of the recoverable amounts which are the higher of the value in use or the fair value less costs of disposal of the cash generating unit ("CGU") to which non-financial assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or the fair value less costs of disposal of the non-financial assets are less than expected, a material impairment loss may arise.

During the year, no impairment loss (2013: impairment loss of RMB3,068,000) in respect of property, plant and equipment was recognised in the consolidated profit or loss. As at 31 December 2014, the carrying amount of property, plant equipment was approximately RMB33,008,000 (2013: RMB32,440,000).

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 loss/profit before tax. To arrive at loss/profit before tax, the Group's loss/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, short-term and long-term borrowings managed directly by the segments with the exception of intercompany payables and other corporate liabilities.

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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 2014 and 2013 is set out below:

	Medicine business		Chinese herbs business		Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
RESULTS						
Reportable revenue from external customers	29	5	-	-	29	5
Reportable segment (loss)/profit	(4,593)	2,196	(21,570)	4,999	(26,163)	7,195
Unallocated corporate other income					-	-
Unallocated corporate expenses					(545)	(536)
(Loss)/Profit before income tax					(26,708)	6,659
Income tax expenses					-	-
(Loss)/Profit for the year					(26,708)	6,659
ASSETS						
Reportable segment assets	43,505	43,153	65,452	103,342	108,957	146,495
Unallocated corporate assets					-	-
Total assets					108,957	146,495
LIABILITIES						
Reportable segment liabilities	38,535	49,380	107	92	38,642	49,472
Unallocated corporate liabilities					-	-
Total liabilities					38,642	49,472
OTHER SEGMENT INFORMATION						
Interest income	1	2	4	-	5	2
Interest expenses	(1,374)	(1,585)	-	-	(1,374)	(1,585)
Depreciation and amortization	(1,796)	(2,974)	(1,379)	(2,280)	(3,175)	(5,254)
Bad debt recovered	129	9,381	-	-	129	9,381
Reversal of impairment losses recognised on trade receivables	-	1,722	-	-	-	1,722
Reversal of impairment losses recognised on other receivables	-	10	-	-	-	10
Loss in respect of Settlement Agreement	-	-	(25,448)	-	(25,448)	-
Change of fair value less costs to sell of biological assets	-	-	2,641	7,560	2,641	7,560
Reversal of impairment losses on buildings for own use previously recognized in income statement	2,084	-	-	-	2,084	-
Rental income	1,005	1,000	-	-	1,005	1,000
Impairment losses on trade receivables	-	(574)	-	-	-	(574)
Impairment losses on other receivables	(13)	-	-	-	(13)	-
Impairment losses on property, plant and equipment	-	(3,068)	-	-	-	(3,068)
Income tax expenses	-	-	-	-	-	-
Additions to non-current segment assets during the year	96	-	37,850	3,955	37,946	3,955

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

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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 2014 and 31 December 2013, there was no customer attributable to Chinese herbs business individually contributed to 10% or more to the Group's revenue. There were two customers (2013: a customer) attributable to Medicine business individually contributed to 10% or more to the Group's revenue. Total sales to this customer amounted to RMB29,000. (2013: RMB5,000).

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

6. TURNOVER AND OTHER REVENUE

	2014 RMB'000	2013 RMB'000
Turnover:		
Sales of medicines	29	5
Sales of Chinese herbs	-	-
	29	5
Other revenue:		
Imputed interest income	2,954	-
Interest income from bank deposits	5	2
Bad debts recovered	129	9,381
Overprovision of other tax payables	230	-
Reversal of impairment loss recognised on trade receivables	-	1,722
Reversal of impairment loss recognised on other receivables	-	10
Reversal of impairment loss on buildings for own use previously recognized in income statement	2,084	-
Rental income	1,005	1,000
Sundry income	-	700
	6,407	12,815
Total revenues	6,436	12,820

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

	2014 RMB'000	2013 RMB'000
Interest on bank and other borrowing:		
- not wholly repayable within five years	1,374	1,585

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8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/Profit before income tax expense is stated after charging:

	2014 RMB'000	2013 RMB'000
Auditors' remuneration		
– Audit services	300	300
– Other services	180	180
Amortisation of land use rights	246	247
Amortisation of prepaid long-term rentals under operating lease	950	2,280
Amortisation of intangible assets	432	–
Cost of inventories sold	26	4
Depreciation of property, plant and equipment	1,546	2,727
Loss on disposal of property, plant and equipment	–	8
Staff costs excluding directors' emoluments		
– Staff salaries and wages	719	694
– Provision for staff and workers' bonus and welfare fund	91	70
– Contributions to defined contribution retirement scheme	120	115

9. INCOME TAX EXPENSE

The Income tax expense represents:

	2014 RMB'000	2013 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% (2013: 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 (2013: Nil).

Reconciliation between (loss)/profit before income tax expense and income tax expense at the applicable tax rate of 25% (2013: 25%) is as follows:

	2014 RMB'000	2013 RMB'000
(Loss)/Profit before income tax expense	(26,708)	6,659
Expected income tax thereon at applicable income tax rate	(6,677)	1,665
Tax effect of non-taxable income	(2,011)	(5,007)
Tax effect of non-deductible expense	7,189	–
Tax effect of tax losses not recognised	1,499	3,342
Income tax expense for the year	–	–

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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. LOSS/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss (2013: profit) attributable to owners of the Company include a loss of RMB5,138,000 (2013: profit of RMB1,662,000) 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 2014 (2013: Nil).

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the Group's loss attributable to owners of the Company of approximately RMB26,708,000 (2013: profit of approximately RMB6,659,000) and the weighted average number of 746,654,240 ordinary shares (2013: 746,654,240 ordinary shares) in issue during the year.

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 2014 and 2013.

13. EMPLOYEE BENEFITS

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% (2013: 20%) and 8% (2013: 8%) respectively based on the eligible employees' monthly salaries.

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 paid by the Group are as follows:

	2014 RMB'000	2013 RMB'000
Fees	–	–
Other emoluments:		
Salaries, allowances and other benefits	54	50
Pension scheme contributions	11	4
	65	54

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14. DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of every director for the year ended 31 December 2014 are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Pension scheme contributions RMB'000	Total emoluments RMB'000
2014				
Executive directors:				
Liu Yang	-	28	6	34
Guo Feng	-	-	-	-
Qin Hai Bo	-	26	5	31
Independent non-executive directors:				
Niu Shu Min	-	-	-	-
Zhao Zhen Xing	-	-	-	-
Lam Kai Yeung	-	-	-	-
	-	54	11	65

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 three (2013: three) independent non-executive directors did not receive any emoluments for the year ended 31 December 2014 (2013: Nil).

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2014 (2013: 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 2014 (2013: Nil).

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15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 14. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries, housing benefits and other benefits	78	73
Pension scheme contributions	6	6
	84	79

The emoluments of each of the five highest paid individuals, including a director, were within the band of nil to RMB790,000 (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 2014 (2013: Nil).

16. INTANGIBLE ASSETS

	Breeding Rights RMB'000	THE GROUP Computer software RMB'000	Total RMB'000
At cost:			
As at 1 January 2013	–	223	223
Additions	–	–	–
As at 31 December 2013 and at 1 January 2014	–	223	223
Additions	13,240	66	13,306
As at 31 December 2014	13,240	289	13,529
Accumulated amortisation and impairment losses:			
As at 1 January 2013	–	223	223
Charge for the year	–	–	–
As at 31 December 2013 and at 1 January 2014	–	223	223
Charge for the year	429	3	432
As at 31 December 2014	429	226	655
Net carrying amount:			
As at 31 December 2014	12,811	63	12,874
As at 31 December 2013	–	–	–

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16. INTANGIBLE ASSETS (CONTINUED)

THE COMPANY Computer software RMB'000

At cost:

As at 1 January 2013	223
Additions	–
As at 31 December 2013 and at 1 January 2014	223
Additions	66
As at 31 December 2014	289

Accumulated amortisation and impairment losses:

As at 1 January 2013	223
Charge for the year	–
As at 31 December 2013 and at 1 January 2014	223
Charge for the year	3
As at 31 December 2014	226

Net carrying amount:

As at 31 December 2014	63
As at 31 December 2013	–

- (a) As explained in note 18, pursuant to the Settlement Agreement between the Group and Fu Man Shan Zhen (as defined below), the Company was allowed to use the Forest Land (as defined below) for agricultural and animal breeding purposes at nil consideration for 18 years commencing from the date of the settlement so that the Group can continue its business of breeding and processing of traditional Chinese medicine, i.e. the Breeding Rights.

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

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

(i) Fair value hierarchy

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

The Group

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2014 RMB'000
– Breeding Right	–	12,930	–	12,930

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

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

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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 2013	12,323
Additions	–
As at 31 December 2013 and at 1 January 2014	12,323
Additions	–
As at 31 December 2014	12,323

Accumulated amortization:

As at 1 January 2013	2,465
Amortisation for the year	247
As at 31 December 2013 and at 1 January 2014	2,712
Amortisation for the year	246
As at 31 December 2014	2,958

Net carrying amount:

As at 31 December 2014	9,365
As at 31 December 2013	9,611

Notes:

- The land use rights of the Group as at 31 December 2014 and 2013 are held on medium term leases and situated in the PRC.
- As at 31 December 2014 and 2013, no land use rights were pledged as security.
- Recoverable amount of land use rights measured at its fair value less costs of disposal at the end of the reporting period

(i) Fair value hierarchy

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

The Group and the Company

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2014 RMB'000
– land use rights	–	32,540	–	32,540

The Group and the Company

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2013 RMB'000
– land use rights	–	32,040	–	32,040

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

The fair value measurement of land use rights is determined using market comparison approach by reference to standard land price determined by relevant land bureau of comparable land in the local market which is publicly available.

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18. PREPAID LONG-TERM RENTALS UNDER OPERATING LEASE

The amount represented prepaid long-term rentals in connection with the acquisition of forest concession right of the forest land (the "Forest Land") located in Jilin Province, the PRC (the "Forest Concession Right") under an operating lease with a lease term of 70 years. The movements of the prepaid long-term rentals are as follows:

	THE GROUP	
	2014	2013
	RMB'000	RMB'000
At Cost:		
As at 1 January	84,378	80,978
Additions	-	3,400
Derecognition in respect of the Settlement Agreement (as defined below)	(84,378)	-
As at 31 December	-	84,378
Accumulated amortization:		
As at 1 January	5,130	2,850
Amortisation for the year	950	2,280
Release upon the derecognition in respect of the Settlement Agreement	(6,080)	-
As at 31 December	-	5,130
Net carrying amount:		
As at 31 December	-	79,248

Analysis of prepaid long-term rentals under operating lease is as follows:

	THE GROUP	
	2014	2013
	RMB'000	RMB'000
Non-current portion	-	76,968
Current portion	-	2,280
Net carrying amount at 31 December	-	79,248

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18. PREPAID LONG-TERM RENTALS (CONTINUED)

Pursuant to the Company's announcements dated 27 December 2013 and 14 March 2014 and the Company's circular dated 11 April 2014, the Company had a potential dispute with 吉林福滿山珍有限公司 (Jilin Fu Man Shan Zhen Co., Ltd., "Fu Man Shan Zhen") in respect of the Forest Concession Right. On 14 March 2014, the Group entered into a settlement agreement (the "Settlement Agreement") with Fu Man Shan Zhen regarding the agreement for the acquisition of Forest Concession Right dated 27 September 2010 and the details of the Settlement Agreement are as follows:

- (i) after deducting the RMB2,300,000 already refunded to the Group, the sum of RMB100,000,000 already paid by the Group shall be refunded in the manner that (a) RMB10,000,000 be paid in cash within 15 days after the signing of the Settlement Agreement (the "Cash Refund") and (b) remaining sum of RMB90,000,000 be paid by 18 equal instalments in cash in the coming 18 years before 31 December each year, commencing from 2014 (the "Fu Man Xhan Zhen Receivable");
- (ii) to allow the Group to use the Forest Land for agricultural and animal breeding purposes (the "Breeding Rights") at nil consideration for 18 years commencing from the date of the settlement so that the Group can continue its business of breeding and processing of traditional Chinese medicine; and
- (iii) upon expiry of the 18-year period and upon negotiation by the parties, Fu Man Shan Zhen might allow the Group to continue to use the Forest Land for agricultural and animal breeding purposes at market rate and has priority to continue to use the Forest Land on same rate as those offered by other parties.

Accordingly, the Company incurred a loss of approximately RMB25,448,000 in respect of the Settlement Agreement which was charged to the Company's consolidated statement of profit and loss and other comprehensive income for the year and the details are as follows:

	RMB'000
Derecognised of prepaid long-term rentals under operating lease	78,298
Cash Refund	(10,000)
Recognition of Fu Man Shan Zhen Receivable (note 22)	(29,610)
Recognition of Breeding Rights (note 16)	(13,240)
Loss recognised in respect of the Settlement Agreement	25,448

The directors of the Company are of the opinion that, since the gain or loss arising from changes of fair value less costs to sell of biological assets of the Group's biological assets between the date of the Settlement Agreement and the end of the report date do not have any material financial impact on the consolidated financial statements of the Company and thus, the Group's "loss recognised in respect of the Settlement Agreement" did not include such gain or loss arising from changes of fair value less costs to sell of biological assets of the Group's biological assets.

Further details are explained in the Company's announcements dated 27 December 2013 and 14 March 2014 and the Company's circulars dated 19 August 2011 and 11 April 2014.

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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 or valuation:						
As at 1 January 2013	53,963	-	12,572	730	3,356	70,621
Additions	-	555	-	-	-	555
Disposals	-	-	-	-	(141)	(141)
As at 31 December 2013 and at 1 January 2014	53,963	555	12,572	730	3,215	71,035
Additions	-	-	-	-	30	30
As at 31 December 2014	53,963	555	12,572	730	3,245	71,065
Accumulated depreciation and impairment losses:						
As 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	704	-	2,364	-	-	3,068
As at 31 December 2013 and at 1 January 2014	22,843	7	12,194	545	3,006	38,595
Charge for the year	1,305	111	-	53	77	1,546
Reversal of impairment loss	(2,084)	-	-	-	-	(2,084)
As at 31 December 2014	22,064	118	12,194	598	3,083	38,057
Net carrying amount:						
As at 31 December 2014	31,899	437	378	132	162	33,008
As at 31 December 2013	31,120	548	378	185	209	32,440

Notes:

- As at 31 December 2014, 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 RMB31,899,000 as at 31 December 2014. The surplus arising from revaluation of approximately RMB2,084,000 has been credited to profit or loss during the year.
- 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.

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19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes (continued):

- (c) As at 31 December 2014 and 2013, no buildings were pledged as a security.
- (d) No impairment losses recognized in respect of certain machineries (under medicine business segment) in the year (2013: RMB2,364,000). The losses in 2013 were attributable to greater than anticipated wear and tear and had 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 and the Company'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":

The Group and the Company

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2014 RMB'000
Recurring fair value measurement				
Buildings held for own use	–	–	31,899	31,899

The Group and the Company

	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				
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 ended 31 December 2014 and 31 December 2013. 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

Item	Valuation technique	Unobservable inputs	Range
Buildings (factory, godown and office) held for own use	Replacement cost approach	Unit replacement costs	RMB1,444 – RMB4,597 Per square metre (2013: RMB1,322 – RMB4,462 per square metre)
		Building residue rates	66% – 76% (2013: 68% – 78%)
		Leasehold improvement residue rates	10% – 45% (2013: 10% – 50%)

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

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19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes (continued):

(e) Fair value measurement of buildings held for own use (continued)

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

	THE GROUP AND THE COMPANY	
	2014	2013
	RMB'000	RMB'000
At 1 January 2014	31,120	33,223
Depreciation charge for the year	(1,305)	(1,399)
Reversal of impairment loss/(Impairment loss)	2,084	(704)
At 31 December 2014	31,899	31,120

20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	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	
	2014	2013
	RMB'000	RMB'000
As at 1 January	20,687	13,127
Gain arising from change in fair value less costs to sell (note(i))	2,641	7,560
As at 31 December	23,328	20,687

Notes:

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

	Approximate number of quantity		Amount	
	2014	2013	2014	2013
	'000	'000	RMB'000	RMB'000
Chinese herbs – Underground Ginsengs (matured)	116	110	23,328	20,687

As at 31 December 2014, no biological assets had been pledged as security (2013: 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":

The Group

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value as at 31/12/2014 RMB'000
Recurring fair value measurement				
– Biological assets	–	23,328	–	23,328

The Group

	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	–	20,687	–	20,687

There were no transfers into or out of Level 2 during the years ended 31 December 2014 and 2013. 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. In estimating the fair value of biological assets, the highest and best use of biological assets is their current use.

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22. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables (Note (i))	15	6	15	6
Fu Man Shan Zhen receivable (Note (ii))	27,564	–	–	–
Prepayment and other receivables	2,798	1,069	1,050	1,050
	30,377	1,075	1,065	1,056

Analysis of trade and other receivable is as follows:

	THE GROUP		THE COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current	22,564	–	–	–
Current	7,813	1,075	1,065	1,056
	30,377	1,075	1,065	1,056

Note (i):

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

As at 31 December 2014, the ageing analysis of trade receivables presented based on the invoice date is as follows:

	THE GROUP AND THE COMPANY	
	2014 RMB'000	2013 RMB'000
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	10	6
Over 365 days	4,218	4,213
Total trade receivables	4,228	4,219
Less: Impairment	(4,213)	(4,213)
Total trade receivables, net of impairment	15	6

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.

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22. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Included in trade receivables are debtors with carrying amounts of approximately RMB10,000 (2013: RMB6,000) which are past due at the end of the reporting period for which the Group had not provided for impairment loss as there is no significant change in credit quality and the amounts are still considered recoverable. The management of the Group monitors the recoverable amount of each individual trade debt and considers adequate impairment loss is made for irrecoverable amount, if necessary. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

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

	THE GROUP AND THE COMPANY	
	2014 RMB'000	2013 RMB'000
91 – 180 days	–	–
181 – 365 days	10	6
Over 365 days	–	–
	10	6

Movements of impairment:

	THE GROUP AND THE COMPANY	
	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	4,213	5,361
Impairment	–	574
Reversal of impairment	–	(1,722)
Balance at end of the year	4,213	4,213

Note (ii)

Fu Man Shan Zhen Receivable

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

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

	RMB'000
Recognition of Fu Man Shan Zhen Receivable (note 18)	29,610
Imputed interest income during the year	2,954
Repayment during the year	(5,000)
Balance as at 31 December 2014	27,564

23. AMOUNTS DUE FROM SUBSIDIARIES

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

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24. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash and bank balances	5	3,434	3	46

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% (2013: 0.35%) per annum.

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables	3,488	3,488	3,488	3,488
Payable for PRC statutory contribution	589	577	589	577
Other taxes payable	210	498	210	498
Other payables and accruals	1,855	1,859	1,747	1,767
	6,142	6,422	6,034	6,330

As at 31 December 2014, the ageing analysis of trade payables presented based on the invoice date is as follows:

	THE GROUP AND THE COMPANY	
	2014 RMB'000	2013 RMB'000
0 – 1 month	–	–
2 – 6 months	–	–
7 – 12 months	–	6
Over 1 year	3,488	3,482
Balance at end of the year	3,488	3,488

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

26. SHORT-TERM BORROWINGS

	THE GROUP AND THE COMPANY	
	2014 RMB'000	2013 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 ("China Gaoxin"), 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.

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26. SHORT-TERM BORROWINGS (CONTINUED)

In July 2013, China Gaoxin filed a claim against the Company to Intermediate People's Court of Jilin City to demand for the full settlement of the loan, together with the penalty. On 17 November 2014, the Intermediate People's Court of Jilin City issued a demand against the Company for the settlement of the loan and related penalty. Since the Company has not yet settled the loan and penalty and thus, on 5 February 2015, the Intermediate People's Court of Jilin City issued a mandatory execution order to demand the Company to execute the 17 November 2014 settlement order.

As at 31 December 2014, the Company made a provision of approximately RMB1,009,000, representing the penalty of the loan which was included in the Company's trade and other payables (note 25).

The management of the Company is currently negotiating with China Gaoxin in respect of the settlement of the loan and penalty. Since the Company has made a provision of penalty, in the opinion of the management, at the end of 31 December 2014, such outstanding claim against the Company would not have any material financial impacts on the consolidated financial statements of the Company.

27. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, interest-free and has been settled during the year.

28. LONG-TERM BORROWINGS

	THE GROUP AND THE COMPANY	
	2014 RMB'000	2013 RMB'000
After one year but within two years (Note (i))	-	7,600
After two years but within five years	-	-
After five years (Note (ii))	22,500	24,000
	22,500	31,600

Notes:

- (i) The balance represented loan from an ex-shareholder and was unsecured and interest-free. The borrowing has been settled during the year.
- (ii) The long-term borrowing with carrying amount of RMB22,500,000 (2013: RMB24,000,000) 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 RMB1,500,000 to JCFB.

29. SHARE CAPITAL

	2014 RMB'000	2013 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.

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30. RESERVES

	The Company				Total RMB'000
	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	
As at 1 January 2013	19,027	11,326	9,685	(34,728)	5,310
Profit and other comprehensive income for the year	-	-	-	1,662	1,662
As at 31 December 2013 and at 1 January 2014	19,027	11,326	9,685	(33,066)	6,972
Loss and other comprehensive expense for the year	-	-	-	(5,138)	(5,138)
As at 31 December 2014	19,027	11,326	9,685	(38,204)	1,834

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 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 2014, no statutory revenue reserve was transferred into share capital subsequent to the Company's reorganisation to a joint stock limited Company (2013: 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.

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32. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries of the Company as at 31 December 2014 and 2013 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 at 31 December 2014, the Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	THE GROUP	
	2014 RMB'000	2013 RMB'000
Within one year	—	—
In the second and fifth year, inclusive	—	—
After five years (note 18)	—	73,530
	—	73,530

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.

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 2014 and 2013 are as follows:

	THE GROUP	
	2014 RMB'000	2013 RMB'000
Total liabilities	38,642	49,472
Total assets	108,957	146,495
Gearing ratio	35%	34%

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35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
<i>Loans and receivables (including cash and cash equivalent)</i>	27,649	3,519
Financial liabilities		
<i>Financial liabilities at amortised costs</i>	37,843	49,472

(b) Financial risk management objectives and policies

The Group's major financial instruments include long-term receivables, trade and other receivables, cash and bank balances, trade and other payables, 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. The long-term receivable, the 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.

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 2014 would decrease/increase by approximately RMB112,000 (2013: decrease/increase RMB103,000). 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 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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35. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Credit risk management (continued)

Credit risk is concentrated as 100% (2013: 100%) and 100% (2013: 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.

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.

2014

	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	6,142	-	-	-	6,142	6,142
Short-term borrowings	10,000	-	-	-	10,000	10,000
Long-term borrowings	1,263	1,266	3,788	31,192	37,509	22,500
	17,405	1,266	3,788	31,192	53,651	38,642

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

(c) Fair value of financial instruments

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

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

36. CONTINGENT LIABILITIES

Other than the matters described in these consolidated financial statements, at the end of the reporting period, the Group and the Company has no material contingent liabilities (2013: Nil).

37. EVENTS AFTER REPORTING PERIODS

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

Financial Summary

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

	2014 RMB'000	Year ended 31 December			
		2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
(Loss)/Profit attributable to owners of the Company	(26,708)	6,659	19,640	7,862	(22,370)
Assets and liabilities	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	108,957	146,495	144,798	134,153	136,560
Total liabilities	(38,642)	(49,472)	(54,434)	(63,429)	(73,698)
Owners' equity	70,315	97,023	90,364	70,724	62,862