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 2015

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

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

Content

EXECUTIVE DIRECTORS
Liu Yang (Resigned on 25 June 2015)
Xu Dongmei (Appointed on 25 June 2015 and Resigned on 10 January 2016)
Guo Feng (Resigned on 10 January 2016)
Qin Haibo
Wang Shaoyan (Appointed on 10 January 2016)
Cui Bingyan (Appointed on 10 January 2016)

NON-EXECUTIVE DIRECTORS
Guo Aiqun (Appointed on 10 January 2016)
Zhang Jinlong (Appointed on 10 January 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Lam Kai Yeung (Resigned on 18 June 2015)
Niu Shu Min (Resigned on 10 January 2016)
Zhao Zhen Xing
Hui Lai Yam (Appointed on 19 June 2015)
Chen Youfang (Appointed on 10 January 2016)

SUPERVISORS
Zhang Ya Bin (Resigned on 10 January 2016)
Chen Lin Bo (Resigned on 10 January 2016)
Yin Hong (Resigned on 24 November 2015)
Meng Shuhua (Appointed on 24 November 2015)
Yang Lixue (Appointed on 10 January 2016)
Lin Xiarong (Appointed on 10 January 2016)

COMPANY SECRETARY
Ng Chenhuei *(ACCA)*

AUDIT COMMITTEE
Lam Kai Yeung (Resigned on 18 June 2015)
Zhao Zhen Xing
Niu Shu Min (Resigned on 10 January 2016)
Hui Lai Yam (Appointed on 19 June 2015)
Chen Youfang (Appointed on 10 January 2016)

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

AUTHORIZED REPRESENTATIVES
Wang Shaoyan
Qin Haibo

GEM STOCK CODE
8197

AUTHORIZED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE
Qin Haibo

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

LEGAL ADVISORS
Vivien Teu & Co in Association with Llinks Law Office

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 subsidiaries (collectively referred to as "Group") for the year ended 31 December 2015.

Business Review

During the year of 2015, the global economy was relatively unstable, 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 6.9%, being the lowest level within 16 years. Changes in the external economic environment have led to increasing competition in the pharmaceutical industry, the slowdown in growth in 2014 continued in the Chinese pharmaceutical industry. On one hand, some provincial level biddings increased the pressure for reduction in price. On the other hand, the costs of raw materials, packaging materials and labor remained high. Pharmaceutical enterprises encountered tough challenges.

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 annual report 2013 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 acanthopanacis) is a common valuable Chinese material for producing Chinese medicine. Acanthopanax Senticosus is suitable to be planted in a sparse forestland and the harvesting cycle is normally about 4-6 years. Before the freeze-up starting from late October each year, 133 acanthopanax senticosuses per mu can be planted in the Forest Land and can be harvested once every 5 years. According to on-site investigation of the Forest Land, approximately 350 hectares (the available area is 140 hectares) is suitable for breeding of acanthopanax senticosus. The production value of acanthopanax senticosus is approximately RMB1064 per mu.

(iv) *Fritillaria Ussuriensis Maxim (平貝母)*
Fritillaria Ussuriensis Maxim is a perennial plant of liliaceae and its subterranean stem can be for medicinal use. Fritillaria Ussuriensis Maxim has 60 days of growth period, can be interplanted or planted in forest land. Artificially cultivated Fritillaria Ussuriensis Maxim can be harvested once in

two years. It is estimated that planted use level is 0.35-0.75kg/m2, with the output of unit area of 1-2.5kg/m2. According to on-site investigation of the Forest Land, approximately 100 hectares is suitable for planting Fritillaria Ussuriensis Maxim and it is estimated that the production cycle is about 2 years. It is estimated that approximately RMB7,000 production value can be generated on each mu of the Forest Land.

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

(vi) *Management and Conservation of Wild Schisandra Chinensis (野生五味子)*
Schizandra (北五味子) is a common valuable Chinese medicinal material. Schisandra chinensis is nourishing and is the first choice for producing health care products and drugs that are beneficial to brain, can soothe the nerves and regulate the nervous system. Schizandra can also serve as a processing raw material for fruit wines and fruit drinks. Schizandra is a multi-functional, multi-use wild 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 RMB5200 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 2200-3000 hours, yearly rainfall is about 400-900 mm. As the eastern part of Jilin Province is near to the sea, there are approximately 130 non-frozen days annually and approximately 150 non-frozen days annually in the western part of Jilin Province.

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

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

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

(2) Jilin Province is a province suitable for breeding of underground ginseng and there are no other provinces in the PRC where the climatic environment is suitable for breeding of underground ginseng, therefore, the Directors consider that the competition in ginseng industry is not as severe as other pharmaceutical companies in the PRC; and

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

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 2016. 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 polices are expected to be announced in 2016. 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.

The Group has been engaged in breeding, processing and sales of underground ginseng and related traditional Chinese medicine herbs, the performance has fallen short of expectation and has not been able to bring about material breakthrough to the Group's business development. Incomes and profits from business have been declining precipitously due to such unfavourable factors as rises in raw material prices and energy costs and decrease in market demand. For maximization of all shareholders' interest, we are planning to shift the business direction and keeps looking for opportunity to increase its profitability and diversify its business and seek for strategic cooperation. With the experience and connections of the Group's management, we are fully confident of the long-term development of the Group and so our business transformation shall a wise decision.

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.

By Order of the Board
Wang Shaoyan
Chairman

Jilin, the PRC
15 March 2016

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 2015.

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	63%
– five largest suppliers combined	100%

Sales

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

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

RESULTS AND APPROPRIATIONS

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

The Directors do not recommend the payment of a dividend.

RESERVES

Movement of the reserves of Group and Company during the year is set out in consolidated statement of change in equity on page 24 and Note 31 to the consolidated financial statements respectively.

FIXED ASSETS

Details of the movements of fixed assets of Group are set out in Note 18 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 2015 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

The Group has not disposed of any major assets and investments during the year under review.

SHARE CAPITAL

Details of movement of share capital of the Company are set out in Note 25 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(Resigned on 25 June 2015)
Ms. Xu Dongmei (Appointed on 25 June 2015 and Resigned on 10 January 2016)
Ms. Guo Feng (Resigned on 10 January 2016)
Mr. Qin Haibo
Mr. Wang Shaoyan (Appointed on 10 January 2016)
Ms. Cui Bingyan (Appointed on 10 January 2016)

Non-Executive Directors

Mr. Guo Aiqun (Appointed on 10 January 2016)
Mr. Zhang Jinlong (Appointed on 10 January 2016)

Independent non-executive Directors

Mr. Lam Kai Yeung (Resigned on 18 June 2015)
Mr. Zhao Zhen Xing
Miss Niu Shu Min (Resigned on 10 January 2016)
Miss Hui Lai Yam (Appointed on 19 June 2015)
Mr. Chen Youfang (Appointed on 10 January 2016)

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 12 to the consolidated financial statements.

CHARGES ON ASSETS

As at 31 December 2015 and 2014, no assets were pledged as security.

BORROWINGS

Particulars of borrowings of Group as at 31 December 2015 are set out in Notes 23 to 24 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, 2015, the interests and short positions of the Directors and supervisors of the Company ("Supervisor") in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares

Name of Directors or Supervisors	Number of Domestic Shares held	Approximate percentage of shareholding (%)
Guo Feng	183,482,440	24.57
Zhang Ya Bin	1,618,960	0.22
	185,101,400	24.79

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, 2015, 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 SuperviCsors 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, 2015, 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(%)
Liu Yang	194,194,580	26.01
Zhang Chun Hua	150,644,480	20.18

Save as disclosed above, as at 31 December, 2015, 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.

POTENTIAL CHANGE OF DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES AND SUBSTANTIAL SHAREHOLDERS

On 10 December 2015, the Company was informed by Liu Yang, Guo Feng and Zhang Chunhua (as intended vendor) (the "Vendors") that it had entered into a MOU dated 10 December 2015 with an independent third party (the "Potential Purchaser") (as intended purchaser). The MOU sets forth the understanding and certain preliminary terms in relation to the possible transaction (the "Possible Transaction") between the parties thereto. Subject to a definitive agreement (the "Definitive Agreement") being entered into, if the Possible Transaction materialises, the Potential Purchaser will acquire all of the domestic shares of the Company currently held by the Vendors, i.e. 528,321,500 domestic shares, representing approximately 70.76% of the voting rights of the Company, giving rise to an obligation on the part of the Potential Purchaser and any parties acting in concert with it to make a mandatory unconditional general offer for all the domestic and H shares of the Company (other than those already owned or agreed to be acquired by them) under Rule 26.1 of the Code on Takeovers and Mergers (the "Takeovers Code"). The Board has been informed by the Vendors that the Vendors entered into the Share Transfer Agreements with the Purchaser on 4 February 2016. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror Group will be required to make a mandatory unconditional general offer in cash for all the outstanding Domestic Shares and H Shares other than those already owned or agreed to be acquired by the Offeror Group.

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 three members, the current chairman of the committee is Mr. Zhao Zhen Xing, an independent non-executive Director replaced Mr. Lam Kai Yeung who resigned on 18 June 2015, and other members are Miss Niu Shu Min (Resigned on 10 January 2016) Miss Hui Lai Yam and Mr. Chen Youfang (Appointed on 10 January 2016), both of them are independent non-executive Directors, thus the all being independent non-executive Directors.

The audit committee had conducted a meeting and reviewed Group's audited results for the period ended 31 December, 2015 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 2015.

In order to ascertain the entitlement to attend Annual General Meeting, the H share register of shareholders of the Company will be closed from 30 April 2016 to 30 May 2016 (both days inclusive), during which no transfer of shares will be registered. All properly completed transfer forms accompanied by the relevant share certificate must be lodged with the Company's share registrar not later than 4:00 p.m. on 29 April 2016, for registration.

INDEPENDENT AUDITOR

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 Longyuan Zhibo Assets Valuation Company 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 資產評估資格証書 (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 証券期貨相關業務評估資格証書 (Securities and Futures Related Business Valuation Qualification Certificate*) by 中國財政部 (Ministry of Finance of China) and 中國証券監督管理委員會 (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
Wang Shaoyan
Chairman

Jilin, the PRC
15 March 2016

For the year ended 31 December 2015, turnover of the Group decreased by approximately 93.10% to approximately RMB2,000, overall gross profit margin increased by approximately 39.66% from Approximately 10.34% to approximately 50.00%. Other revenue increased 97.33% from approximately RMB6,407,000 to approximately RMB12,643,000, mainly due to:- Imputed interest income increased RMB1,692,000; reversal of overprovision of penalty of RMB1,009,000; short-term borrowing waived of RMB5,000,000; Reversal of impairment loss on buildings for own use previously recognised in income statement decreased RMB2,079,000; rental income increased of RMB870,000. Gain arising from change of fair value less costs to sell of biological assets decrease 37.52% to approximately RMB 1,650,000 (2014: RMB2,641,000). Loss in respect of the Settlement Agreement with Fu Man Shan Zhen was nil (2014: loss RMB25,448,000). General, administrative and operating expenses decreased by 31.81% from RMB8,937,000 to RMB6,094,000. Finance costs decreased by 20.01% to approximately RMB1,099,000. Profit attributable to shareholders amounted to approximately RMB 10,845,000 (2014: loss approximately RMB26,708,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2015, the Group had total assets of approximately RMB109,375,000 which were financed by current liabilities of approximately RMB5,715,000, long-term liabilities of approximately RMB22,500,000 and shareholders' equity of approximately RMB81,160,000.

The Group generally services its debts primarily through cash generated from its operations. As at 31 December, 2015, the Group had cash and bank balances of approximately RMB483,000. 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, 2015, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 5.36:1, 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 25.80%, 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 20 (2014: 22), payroll costs of the Group amounted to RMB858,000 (2014: RMB995,000). Other employee benefits include retirement benefits, medical insurance and housing fund contributions, remained at appropriate levels. Various training and development courses were also offered to enable employees to upgrade their skills.

DIRECTORS

Executive Directors

Mr. Liu Yang (Resigned on 25 June 2015), aged 45, appointed as the chairman of the Company on 4 December 2009, 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.

Ms. Xu Dongmei (Appointed on 25 June 2015 and Resigned on 10 January 2016), aged 43, appointed as the chairman of the Company on 25 June 2015, graduated from Jilin Institute of Chemical Technology* (吉林化工學院) in Organic Chemistry* (有機化學專業). She is currently serves as the deputy general manager of Jilin Fareast Medical Industry Limited* (吉林遠東藥業集團股份有限公司). She has been engaged in pharmaceutical industry in the PRC for over thirteen years.

Mr. Wang Shaoyan (Appointed on 10 January 2016) (Mr. Wang), aged 33, currently serving as the general manager of Beijing Shanshi Media Technology Limited* (北京山石傳媒科技有限公司). Mr. Wang has prior experience as a project manager, deputy general manager and general manager of Beijing Shiji Fengqing Broadcast Limited* (北京世紀風情文化傳播有限公司) from 2007 to 2014. He obtained a Master of Science degree in mechanical and manufacturing engineering from the University of Birmingham in 2007 and a Bachelor of Business Administration degree from the West Coast University in 2005.

Ms. Guo Feng (Resigned on 10 January 2016), aged 40, is currently a director of 吉林省高科食用菌產業開發有限責任公司 (Jilin Gao Ke Mushroom Industry Development Co., Ltd). She has been engaged in pharmaceutical industry in the PRC for over ten years. Ms. Guo has been appointed as an executive Director and compliance officer on 11 December 2009.

Ms. Cui Bingyan (Appointed on 10 January 2016) (Ms. Cui), aged 42, currently serving as the general manager of Shenzhen Longyuan Shanzhuang Property Management Limited* (深圳市龍園山莊物業管理有限公司). Ms. Cui has prior experience as the general manager of Shenzhen Zhonghao (Group) Company Limited* (深圳中浩（集團）股份有限公司) from 1996 to 1998, the office manager of Haerbin Gongbai Holding Limited* (哈爾濱市工百集團) from 1993 to 1996, and a veteran of the 81156 army hospital of People's Liberation Army 13th Army* (中國人民解放軍第十三集團軍81156部隊醫院) from 1989 to 1992. She obtained a Master of Business Administration degree from the University of Northern Virginia in 2007. Ms. Cui completed an advanced seminar in property asset management at Tsinghua University in 2004. Ms. Cui obtained a bachelor's degree in law from National University of Defense Technology in 2004 and a college degree in history from Heilongjiang Institute of Education in 1996.

Mr. Qin Haibo, aged 44, 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.

Non-executive Directors

Mr. Guo Aiqun (Appointed on 10 January 2016) (Mr. Guo), aged 45. Mr. Guo has been the general manager of Datong Hengji Industry Company Limited* (大同市恒吉實業有限責任公司) since 2004. Mr. Guo has prior experience as a vice–manager of Qinhuangdao of Jinhua branch of headquarter of Shanxi Coal Transportation Limited* (山西省煤炭運銷總公司晉華分公司秦皇島公司) from 2001 to 2003, a business manager of the sale center of Qinhuangdao of Datong branch of headquarter of Shanxi Coal Transportation Limited* (山西省煤炭運銷總公司大同分公司秦皇島銷售中心) from 1998 to 2000, a business manager of Shanxi Coal Import and Export Company Limited* (山西省煤炭進出口公司) from 1995 to 1998, an office secretary at Shanxi Coal Geology Company Limited*(山西省煤炭廳地質公司) from 1992 to 1995, a staff of the Shanxi Poverty Alleviation office* (山西省省直中委扶貧工作隊) from 1991 to 1992, and a staff at the machine repair factory of Shanxi Coal Geology Company Limited * (山西省煤炭廳地質公司) in 1991. He graduated from the Shanxi Vocation and Technology College of Coal in 1991 and obtained a bachelor's degree in law from the Central Party School of the Communist Party of China in 2004.

Mr. Zhang Jinlong (Appointed on 10 January 2016) (Mr. Zhang), aged 34. Since 2013, he has practiced as a lawyer at Hebei Jijunhua law firm* (河北紀君華律師事務所). Mr. Zhang has prior experience as a legal assistant at Beijing Lantai law firm* (北京市蘭臺律師事務所) from 2003 to 2013, and a legal worker at Chengde Shuangqiao law firm* (承德市雙橋法律事務所) from 2002 to 2003. Mr. Zhang obtained a higher diploma and bachelor's degree in law from Hebei University in 2001 and 2003 respectively, and a master's degree in law from the North China University of Technology in 2013.

Independent non-executive Directors

Mr. Lam Kai Yeung (Resigned on 18 June 2015), aged 46. 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.

Ms. Niu Shu Min (Resigned on 10 January 2016), aged 76, 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.

Mr. Zhao Zhen Xing, aged 73, 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.

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

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

SUPERVISORS

Mr. Zhang Ya Bin (Resigned on 10 January 2016), aged 53, 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.

Mr. Chen Lin Bo (Resigned on 10 January 2016), aged 60, 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.

Ms. Yin Hong (Resigned on 24 November 2015), aged 46, 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. She Resigned on 24 November 2015.

Ms. Meng Shuhua (Appointed on 24 November 2015), aged 44, has been serving as a manager of the human resources department of the Company since 2005. Ms. Meng has prior experience as a staff of the personnel department of Jilin Fareast Medical Industry Limited* (吉林遠東藥業集團股份有限公司) from 1991 to 2005 and served on the 81112 army of the People's Liberation Army*(人民解放軍第81112部隊) from 1987 to 1990. Ms. Meng has completed high school education.

Ms. Lin Xiarong (Appointed on 10 January 2016) (Ms. Lin), aged 35, has worked in the accounting industry for approximately 11 years. Since 2009, she has been serving as the financial manager of Shenzhen Longyuan Shanzhuang Industrial Development Company Limited* (深圳市龍園山莊實業發展有限公司). Ms. Lin is a certified senior accountant accredited by the International Profession Certification Association. From 2004 to 2008, Ms. Lin was an accountant with Shenzhen Longyuan Shanzhuang Property Management Company Limited* (深圳市龍園山莊物業管理有限公司). Ms. Lin graduated from Shenzhen University in Business Administration in 2005.

Ms. Yang Lixue (Appointed on 10 January 2016) (Ms. Yang), aged 33, has worked in the finance and risk management industry for approximately 11 years. Since 2011, she has been the deputy general manager of the investment and development department of Coastal Greenland Limited (沿海綠色家園有限公司, HKEx stock code: 1124). In 2011, Ms. Yang was the corporate clients manager of the corporate banking and financial institutions department of Bank of China (Hong Kong branch). From 2009 to 2010, Ms. Yang was a risk management analyst at the risk management department of the Bank of Communications (Hong Kong branch). From 2008 to 2009, Ms. Yang was an analyst at the enterprise risk management and consulting department of Deloitte Touche Tohmatsu in Hong Kong and Deloitte Touche Tohmatsu Certified Public Accountants LLP in Beijing. From 2004 to 2005, Ms. Yang worked as a clerk at the National Accountant Assessment and Certification Centre of the Ministry of Finance PRC. From 2013 to 2015, Ms. Yang was a part-time postgraduate student studying in the appreciation and market collection management of fine arts at the China Central Academy of Fine Arts. Ms. Yang graduated from the International Capital Market Association Centre of University of Reading with a Master of Science degree in International Securities, Investment and Banking in 2007, and from the Lingnan (University) College of Sun Yat-Sen University with a bachelor's degree in finance in 2004.

SENIOR MANAGEMENT

Ms. Gao Yue Ying, aged 45, 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 2015 and has great confidence in the future of the Group.

By Order of the Supervisory Committee
Meng Shuhua
Chairman

Jilin, the PRC
15 March 2016

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, 2 non-executive Directions and 3 independent non-executive Directors:

Executive Directors

Mr. Liu Yang(Resigned on 25 June 2015)
Ms. Xu Dongmei (Appointed on 25 June 2015 and Resigned on 10 January 2016)
Ms. Guo Feng (Resigned on 10 January 2016)
Mr. Qin Haibo
Mr. Wang Shaoyan (Appointed on 10 January 2016)
Ms. Cui Bingyan (Appointed on 10 January 2016)

Non-Executive Directors

Mr. Guo Aiqun (Appointed on 10 January 2016)
Mr. Zhang Jinlong (Appointed on 10 January 2016)

Independent non-executive Directors

Mr. Lam Kai Yeung (Resigned on 18 June 2015)
Mr. Zhao Zhen Xing
Miss Niu Shu Min (Resigned on 10 January 2016)
Miss Hui Lai Yam (Appointed on 19 June 2015)
Mr. Chen Youfang (Appointed on 10 January 2016)

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. Zhao Zhen Xing, Miss Niu Shu Min and Miss Hui Lai Yam are the independent non-executive Directors. All of them were appointed for a term of three years and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

Under 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, 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 who was the chairman resigned on 18 June 2015 and was replaced by Miss Xu Dongmei, Miss 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 Times
Mr. Liu Yang (Resigned on 25 June 2015)	2
Ms. Xu Dongmei (Appointed on 25 June 2015 and Resigned on 10 January 2016)	6
Ms. Guo Feng (Resigned on 10 January 2016)	8
Mr. Qin Haibo	8
Mr. Lam Kai Yeung(Resigned on 18 June 2015)	2
Ms. Niu Shu Min (Resigned on 10 January 2016)	8
Mr. Zhao Zhen Xing	8
Ms. Hui Lai Yam (Appointed on 19 June 2015)	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. Zhao Zhen Xing, a independent non-executive Director replaced Mr. Lam Kai Yeung who resigned on 18 June 2015, and other members are Miss Niu Shu Min (Resigned on 10 January 2016), Miss Hui Lai Yam and Mr. Chen Youfang (Appointed on 10 January 2016), 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, 3 meeting of the remuneration committee was held in December 2015. Details of the attendance of the meeting of the remuneration committee meetings are as follows:

Members Attendance Times	
Mr. Lam Kai Yeung (Resigned on 18 June 2015)	1
Ms. Niu Shu Min (Resigned on 10 January 2016)	3
Mr. Zhao Zhen Xing	3
Ms. Hui Lai Yam (Appointed on 19 June 2015)	2

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. Zhao Zhen Xing, a independent non-executive Director replaced Mr. Lam Kai Yeung who resigned on 18 June 2015, and other members are Miss Niu Shu Min (Resigned on 10 January 2016), Miss Hui Lai Yam and Mr. Chen Youfang (Appointed on 10 January 2016), 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 3 meetings.

Members Attendance Times	
Mr. Lam Kai Yeung (Resigned on 18 June 2015)	1
Ms. Niu Shu Min (Resigned on 10 January 2016)	3
Mr. Zhao Zhen Xing	3
Ms. Hui Lai Yam (Appointed on 19 June 2015)	2

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, the current chairman of the committee is Mr. Zhao Zhen Xing, an independent non-executive Director replaced Mr. Lam Kai Yeung who resigned on 18 June 2015, and other members are Miss Niu Shu Min (Resigned on 10 January 2016), Miss Hui Lai Yam and Mr. Chen Youfang (Appointed on 10 January 2016), both of them are independent non-executive Directors, thus the all being independent non-executive Directors.

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

Members Attendance Times	
Mr. Lam Kai Yeung (Resigned on 18 June 2015)	1
Ms. Niu Shu Min (Resigned on 10 January 2016)	4
Mr. Zhao Zhen Xing	4
Ms. Hui Lai Yam (Appointed on 19 June 2015)	3

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2015 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 RMBNil.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors knowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. The statements of the external auditors of the Group, PAN-CHINA (H.K.) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Report of Auditors on page 21 of this annual report.

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

INTERNAL CONTROL

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

AUDITORS

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2015.

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 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 30 May 2016 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 2015;

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 2015;

5. To consider and if the right fit, pass with or without modifications, the following resolution as a special resolution:

   "**THAT**:

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

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

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

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

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

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

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

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

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

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

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

6. To transact any other business, if any.

By Order of the Board
Wang Shaoyan
Chairman

Jilin, the PRC
15 March 2016

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

Notes:

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

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

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

4. The H share register of shareholders of the Company will be closed from 30 April 2016 to 30 May 2016 (both days inclusive), during which no transfer of shares will be registered. In order to ascertain the entitlement to attend at the above meeting, all properly completed transfer forms accompanied by the relevant share certificate must be lodged with the Company's share registrar not later than 4:00 p.m. on 29 April 2016, 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 10 May 2016.

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 22 to 59, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

AUDITOR'S 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 auditor's 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 auditor considers 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 financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

Tsang Chiu Keung
Practising Certificate Number P04968

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

15 March 2016

FOR THE YEAR ENDED 31 DECEMBER 2015
(Expressed in Renminbi)

	Notes	**2015 RMB'000**	2014 RMB'000
Revenue	6	**2**	29
Cost of sales		**(1)**	(26)
Gross profit		**1**	3
Other income	6	**12,643**	6,407
Gain arising from changes of fair value less costs to sell of biological assets	19	**1,650**	2,641
Loss in respect of the Settlement Agreement	17	**–**	(25,448)
General, administrative and operating expenses		**(6,094)**	(8,937)
Finance costs	7	**(1,099)**	(1,374)
Profit/(loss) before income tax expense	8	**7,101**	(26,708)
Income tax expense	9	**–**	-
Profit/(loss) for the year		**7,101**	(26,708)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
– Surplus on revaluation of buildings held for own use		**3,744**	–
Other comprehensive income for the year		**3,744**	–
Total comprehensive income/(expense) for the year		**10,845**	(26,708)
Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company		**10,845**	(26,708)
Dividends	10	**–**	–
Earnings/(loss) per share	11		
Basic		**0.95 cents**	(3.58 cents)
Diluted		**N/A**	N/A

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015
(Expressed in Renminbi)

	Notes	**2015 RMB'000**	2014 RMB'000
Non-Current Assets			
Intangible assets	15	**12,132**	12,874
Land use rights	16	**9,118**	9,365
Property, plant and equipment	18	**35,192**	33,008
Trade and other receivables – Non-current portion	20	**22,316**	22,564
		78,758	77,811
Current Assets			
Biological assets	19	**24,978**	23,328
Trade and other receivables – current portion	20	**5,156**	7,813
Cash and bank balances	21	**483**	5
		30,617	31,146
Total Assets		**109,375**	108,957
Less: Current Liabilities			
Trade and other payables	22	**5,715**	6,142
Short-term borrowings	23	**–**	10,000
		5,715	16,142
Net Current Assets		**24,902**	15,004
Non-Current Liabilities			
Long-term borrowings	24	**22,500**	22,500
		22,500	22,500
Net Assets		**81,160**	70,315
Capital and Reserves attributable to owners of the Company			
Share capital	25	**74,665**	74,665
Reserves		**6,495**	(4,350)
Total equity		**81,160**	70,315

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 15 March 2016 and signed on behalf of the Board by:

秦海波

Wang Shao Yan
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 2015
(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2014	74,665	19,027	11,326	–	9,685	(17,680)	97,023
Loss and other comprehensive expenses for the year	–	–	–	–	–	(26,708)	(26,708)
As at 31 December 2014 and at 1 January 2015	74,665	19,027	11,326	–	9,685	(44,388)	70,315
Profit for the year	–	–	–	–	–	7,101	7,101
Other comprehensive income for the year	–	–	–	3,744	–	–	3,744
Total comprehensive income for the year	–	–	–	3,744	–	7,101	10,845
As at 31 December 2015	74,665	19,027	11,326	3,744	9,685	(37,287)	81,160

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015
(Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax expense	**7,101**	(26,708)
Depreciation of property, plant and equipment	**1,561**	1,547
Amortisation of intangible assets	**742**	432
Amortisation of land use right	**247**	246
Amortisation of long-term prepaid rentals	**–**	950
Interest on long-term borrowings	**1,099**	1,374
Adjustment on revision of estimated receipts on financial assets	**(106)**	–
Change in fair value less costs to sell of biological assets	**(1,650)**	(2,641)
Reversal of impairment losses on buildings held for own use previously recognised in profit or loss	**(5)**	(2,084)
Loss in respect of the Settlement Agreement	**–**	25,448
Impairment losses on other receivables	**–**	13
Overprovision of other tax payables	**–**	(230)
Overprovision of penalty	**(1,009)**	–
Waive of short-term borrowing	**(5,000)**	–
Imputed interest income	**(4,646)**	(2,954)
Bank interest income	**–**	(5)
Operating loss before movements in working capital	**(1,666)**	(4,612)
Decrease/(increase) in trade and other receivables	**7,657**	(1,751)
Increase/(decrease) in trade and other payables	**582**	(51)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**6,573**	(6,414)
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest income	**–**	5
Acquisition of property, plant and equipment	**–**	(30)
Proceeds from disposal of property, plant and equipment	**4**	–
Acquisition of intangible assets	**–**	(66)
Refund of prepaid long-term rentals	**–**	15,000
NET CASH GENERATED FROM INVESTING ACTIVITIES	**4**	14,909
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to a shareholder	**–**	(1,450)
Repayment of long-term borrowings	**–**	(9,100)
Repayment of short-term borrowings	**(5,000)**	–
Interest on long-term borrowings	**(1,099)**	(1,374)
NET CASH USED IN FINANCING ACTIVITIES	**(6,099)**	(11,924)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**478**	(3,429)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**5**	3,434
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**483**	5
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**483**	5

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

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 27 to the consolidated financial statements.

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

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

The Group has applied the following new amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective for the current accounting period.

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

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

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years if employee service,for example,employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The annual improvements to HKFRSs 2010 – 2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no significant impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no significant impact on the Group.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The annual improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

(Expressed in Renminbi)

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKFRS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisition of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited (the "GEM Listing Rules") issued by the Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact on the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

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

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

[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 2016, with earlier application permitted.
[4] No mandatory effective date is determined but is available for early adoption.

HKFRS 9 (2014) Financial Instruments

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

Key requirements of HKFRS 9 (2014) 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 measure 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 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment assessment of financial assets, HKFRS 9 (2014) 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.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The directors of the Company anticipate that the application of HKFRS 9 (2014) 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: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The 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.

HKAS 1 (Amendments) Disclosure Initiative
The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, and entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describes them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates or joint ventures accounted for using the equity method, separation into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are not met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes;and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

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 Group:

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

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

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

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

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

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

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

(d) Foreign currency translation

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

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

(e) Property, plant and equipment

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

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

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

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

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

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

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

–	Breeding rights	18 years
–	Computer software	10 years

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

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

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

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

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

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

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

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

(i) Inventories

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

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

(j) Borrowing costs

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

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

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

(k) Financial instruments

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

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

(i) Financial assets

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

Effective interest method

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

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

Loans and receivables

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

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

Impairment loss on financial assets

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

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

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

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

Objective evidence of impairment could include:

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

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

(ii) Financial liabilities
Financial liabilities of the Group are classified as other financial liabilities.

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

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

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

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

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

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

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

(l) Income tax

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

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

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

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

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

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

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

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

(m) Revenue recognition

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

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

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

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

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

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

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

(n) Related parties

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

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

Or

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

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

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

(o) Fair value measurement

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

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

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

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

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

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

(p) Employee benefits

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

(q) Provisions and contingent liabilities

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

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

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

(r) Leases

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

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

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

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

(s) Segment reporting

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

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

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 2015, the carrying amount of property, plant and equipment was approximately RMB35,192,000 (2014: RMB33,008,000).

(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 2015, the carrying amount of buildings is approximately RMB34,281,000 (2014: RMB31,899,000).

(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 31 December 2015, the carrying amount of trade receivables, net of provision for impairment, was approximately RMB16,000 (2014: RMB15,000) and the carrying amount of Fu Man Shan Zhen receivable and prepayment and other receivables were approximately RMB26,576,000 (2014: 27,564,000) and RMB880,000 (2014: RMB2,798,000) respectively.

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

As at 31 December 2015, the carrying amount of biological assets was approximately RMB24,978,000 (2014: RMB23,328,000).

(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 (2014: Nil) in respect of non-financial assets (including property, plant and equipment, land use right and intangible assets) was recognised in the consolidated profit or loss. As at 31 December 2015, the carrying amount of non-financial assets was approximately RMB56,442,000 (2014: RMB55,247,000).

5. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company ("BoD"), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. For management purposes, the Group is organized into 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. No operating segments have been aggregated to form the above reportable segments.

(a) Segment results, assets and liabilities

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

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

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

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 2015 and 2014 is set out below:

	Medicine business		Chinese herbs business		Total	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
RESULTS						
Reportable revenue from external customers	**2**	29	**-**	–	**2**	29
Reportable segment profit/(loss)	**2,325**	(4,593)	**5,327**	(21,570)	**7,652**	(26,163)
Unallocated corporate other income					**-**	–
Unallocated corporate expense					**(551)**	(545)
Profit/(Loss) before income tax expense					**7,101**	(26,708)
Income tax expense					**-**	–
Profit/(Loss) for the year					**7,101**	(26,708)
ASSETS						
Reportable segment assets	**45,741**	43,505	**63,634**	65,452	**109,375**	108,957
Unallocated corporate assets					**-**	–
Total assets					**109,375**	108,957
LIABILITIES						
Reportable segment liabilities	**28,165**	38,535	**50**	107	**28,215**	38,642
Unallocated corporate liabilities					**-**	–
Total liabilities					**28,215**	38,642
OTHER SEGMENT INFORMATION						
Interest income	**-**	1	**-**	4	**-**	5
Interest expenses	**(1,099)**	(1,374)	**-**	–	**(1,099)**	(1,374)
Depreciation and amortization	**(1,815)**	(1,796)	**(735)**	(1,379)	**(2,550)**	(3,175)
Bad debt recovered	**-**	129	**-**	–	**-**	129
Overprovision of penalty	**1,009**	–	**-**	–	**1,009**	–
Waive of short-term borrowings	**5,000**	–	**-**	–	**5,000**	–
Loss in respect of Settlement Agreement	**-**	–	**-**	(25,448)	**-**	(25,448)
Change of fair value less costs to sell of biological assets	**-**	–	**1,650**	2,641	**1,650**	2,641
Reversal of impairment losses on buildings held for own use previously recognised in profit or loss	**5**	2,084	**-**	–	**5**	2,084
Rental income	**1,875**	1,005	**-**	–	**1,875**	1,005
Impairment loss on other receivables	**-**	(13)	**-**	–	**-**	(13)
Income tax expenses	**-**	–	**-**	–	**-**	–
Additions to non-current segment assets during the year	**-**	96	**-**	37,850	**-**	37,946

There were no inter-segment sales in the current year (2014: Nil).

(b) Revenue from major products

The Group's revenue from external customers for its products are as follows:

	2015 RMB'000	2014 RMB'000
Medicine	**2**	29
Chinese herbs	**–**	–
	2	29

(c) Geographical information

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

(d) Information about major customers

For the year ended 31 December 2015 and 31 December 2014 there was no customer attributable to Chinese herbs business individually contributed to 10% or more to the Group's revenue. There was one customer (2014: two customers) attributable to Medicine business individually contributed to 10% or more to the Group's revenue. Total sales to the customers amounted to approximately RMB2,000 (2014: approximately RMB29,000).

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

6. REVENUE AND OTHER INCOME

	2015 RMB'000	2014 RMB'000
Revenue:		
Sales of medicines	**2**	29
Sales of Chinese herbs	**–**	–
	2	29
Other income:		
Imputed interest income (Note)	**4,646**	2,954
Interest income from bank deposits	**–**	5
Bad debts recovered	**–**	129
Overprovision of other tax payables	**–**	230
Overprovision of penalty	**1,009**	–
Short-term borrowing waived	**5,000**	–
Reversal of impairment loss on buildings held for own use previously recognised in profit or loss	**5**	2,084
Rental income	**1,875**	1,005
Adjustment on revision of estimated receipts on financial assets	**106**	–
Sundry income	**2**	–
	12,643	6,407
Total revenues	**12,645**	6,436

Note: Imputed interest income is interest income for financial assets that are not at FVTPL.

Revenue 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

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowing (Note)	**1,099**	1,374

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

8. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

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

	2015 RMB'000	2014 RMB'000
Auditor's remuneration		
– Audit services	**300**	300
– Other services	**–**	180
Amortisation of land use rights	**247**	246
Amortisation of prepaid long-term rentals under operating lease	**–**	950
Amortisation of intangible assets	**742**	432
Cost of inventories sold	**1**	26
Depreciation of property, plant and equipment	**1,561**	1,546
Staff costs		
– Staff salaries and wages	**683**	773
– Provision for staff and workers' bonus and welfare fund	**65**	91
– Contributions to defined contribution retirement scheme	**110**	131

9. INCOME TAX EXPENSE

The income tax expense represents:

	2015 RMB'000	2014 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% (2014: 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 its subsidiaries has no taxable profits for the year (2014: Nil).

Reconciliation between profit/(loss) before income tax expense and income tax expense at the applicable tax rate of 25% (2014: 25%) is as follows:

	2015 RMB'000	2014 RMB'000
Profit/(Loss) before income tax expense	**7,101**	(26,708)
Expected income tax thereon at applicable income tax rate	**1,775**	(6,677)
Tax effect of non-taxable income	**(2,031)**	(2,011)
Tax effect of non-deductible expense	**313**	7,189
Tax effect of tax losses not recognised	**68**	1,499
Tax effect of utilisation of tax losses previously not recognised	**(125)**	–
Income tax expense for the year	**–**	–

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

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

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to owners of the Company of approximately RMB7,101,000 (2014: loss of approximately RMB26,708,000) and the weighted average number of 746,654,240 ordinary shares (2014: 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 2015.

12. 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% (2014: 20%) and 8% (2014: 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.

13. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about benefits of Directors) Regulation are as follows:

	2015 RMB'000	2014 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and other benefits	**58**	54
Retirement scheme contributions	**11**	11
	69	65

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

	Fees RMB'000	**Salaries allowances and other benefits RMB'000**	**Retirement scheme contributions RMB'000**	**Total emoluments RMB'000**
2015				
Executive directors:				
Liu Yang (Note a)	**-**	**19**	**4**	**23**
Guo Feng	**-**	**-**	**-**	**-**
Qin Hai Bo	**-**	**28**	**5**	**33**
Xu Dongmei (Note b)	**-**	**11**	**2**	**13**
Independent non-executive directors:				
Niu Shu Min	**-**	**-**	**-**	**-**
Zhao Zhen Xing	**-**	**-**	**-**	**-**
Lam Kai Yeung (Note c)	**-**	**-**	**-**	**-**
Hui Lai Yam (Note d)	**-**	**-**	**-**	**-**
	-	**58**	**11**	**69**

Notes:

(a) Mr. Liu Yang resigned as an executive director of the Company on 26 June 2015.
(b) Ms. Xu Dongmei was appointed as an executive director of the Company on 26 June 2015.
(c) Mr. Lam Kai Yeung resigned as an independent non-executive director of the Company on 18 June 2015.
(d) Ms. Hui Lai Yam was appointed as an independent non-executive director of the Company on 19 June 2015.

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

All independent non-executive directors did not receive any emoluments for the years ended 31 December 2014 and 2015.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2015 (2014: 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 2015 (2014: Nil).

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one (2014: two) is a director whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other four (2014: three) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and other benefits	**110**	78
Retirement scheme contributions	**22**	6
	132	84

The emoluments of each of the five highest paid individuals, including a director, were within the band of nil to RMB838,000 (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 2015 (2014: Nil).

15. INTANGIBLE ASSETS

	Breeding rights RMB'000	Computer software RMB'000	Total RMB'000
At cost			
As at 1 January 2014	–	223	223
Additions	13,240	66	13,306
As at 31 December 2014 and 1 January 2015	13,240	289	13,529
Additions	–	–	–
As at 31 December 2015	13,240	289	13,529
Accumulated amortization and accumulated impairment losses:			
As at 1 January 2014	–	223	223
Charge for the year	429	3	432
As at 31 December 2014 and at 1 January 2015	429	226	655
Charge for the year	735	7	742
As at 31 December 2015	1,164	233	1,397
Net carrying amount:			
As at 31 December 2015	12,076	56	12,132
As at 31 December 2014	12,811	63	12,874

(a) As explained in note 17, 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 herbs, 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) As at 31 December 2015 and 2014, no intangible assets were pledged as security for liabilities and there were no restrictions on intangible assets' title.

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

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

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

31/12/2014	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 use and weighed against all the respective advantages and disadvantages of forest land.

16. LAND USE RIGHTS

	RMB'000
At cost:	
As at 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	12,323
Accumulated amortization and accumulated impairment losses:	
As at 1 January 2014	2,712
Amortisation for the year	246
As at 31 December 2014 and 1 January 2015	2,958
Amortisation for the year	247
As at 31 December 2015	3,205
Net carrying amount:	
As at 31 December 2015	9,118
As at 31 December 2014	9,365

Notes:

(a) The land use rights of the Group as at 31 December 2015 and 2014 are held on medium term leases and situated in the PRC.

(b) As at 31 December 2015 and 2014, no land use rights were pledged as security for liabilities and there were no restrictions on land use rights' title.

(c) 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 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":

31/12/2015	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Fair value as at 31/12/2015 RMB'000**
– Land use right	**-**	**30,580**	**-**	**30,580**

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

(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.

17. PREPAID LONG-TERM RENTALS UNDER OPERATING LEASE

	2015 RMB'000	2014 RMB'000
At cost:		
As at 1 January	**–**	84,378
Derecognition in respect of the Settlement Agreement (as defined below)	**–**	(84,378)
As at 31 December	**–**	–
Accumulated amortization:		
As at 1 January	**–**	5,130
Amortisation for the year	**–**	950
Release upon the derecognition in respect of the Settlement Agreement	**–**	(6,080)
As at 31 December	**–**	–
Net carrying amount:		
As at 31 December	**–**	–

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

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 herbs; 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 the Group 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 ended 31 December 2014 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 20)	(29,610)
Recognition of Breeding Rights (note 15)	(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 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
At cost or valuation:						
As at 1 January 2014	53,963	555	12,572	730	3,215	71,035
Additions	–	–	–	–	30	30
As at 31 December 2014 and at 1 January 2015	53,963	555	12,572	730	3,245	71,065
Disposal	–	–	–	(77)	–	(77)
As at 31 December 2015	53,963	555	12,572	653	3,245	70,988
Accumulated depreciation and impairment losses:						
As 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 and at 1 January 2015	22,064	118	12,194	598	3,083	38,057
Charge for the year	1,367	111	–	52	31	1,561
Written back on disposal	–	–	–	(73)	–	(73)
Reversal of impairment loss	(5)	–	–	–	–	(5)
Eliminated on revaluation	(3,744)	–	–	–	–	(3,744)
As at 31 December 2015	19,682	229	12,194	577	3,114	35,796
Net carrying amount:						
As at 31 December 2015	34,281	326	378	76	131	35,192
As at 31 December 2014	31,899	437	378	132	162	33,008

Notes:

(a) As at 31 December 2015, the Group's buildings were appraised by Asset Appraisal Limited, an independent Hong Kong professional valuer not connected to the Group. These 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 RMB34,281,000 as at 31 December 2015. The surplus arising from revaluation of approximately RMB3,749,000 has been credited to properties revaluation reserve and profit or loss respectively during the year.

(b) 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.

(c) As at 31 December 2015 and 2014, no property, plant and equipment were pledged as a security for liabilities and there were no restrictions on property, plant and equipment's title.

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

(i) Fair value hierarchy

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

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

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

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the years ended 31 December 2015 and 31 December 2014. 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**
Building (factory, godown and office) held for own use	Replacement cost approach	Unit replacement cost	RMB1,618 – RMB5,359 per square metre (2014: RMB1,444 – RMB4,597 per square metre)
		Building residue rates	64% – 74% (2014: 66% – 76%)
		Leasehold improvement residue rates	10% – 40% (2014: 10% – 45%)

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.

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

	2015 **RMB'000**	2014 RMB'000
At 1 January	**31,899**	31,120
Depreciation charge for the year	**(1,367)**	(1,305)
Reversal of impairment loss	**5**	2,084
Surplus on revaluation	**3,744**	–
At 31 December	**34,281**	31,899

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

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

	2015 **RMB'000**	2014 RMB'000
Buildings	**34,130**	35,798

19. BIOLOGICAL ASSETS

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

	2015 **RMB'000**	2014 RMB'000
As at 1 January	**23,328**	20,687
Gain arising from change in fair value less costs to sell (note(i))	**1,650**	2,641
As at 31 December	**24,978**	23,328

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**	
	2015 **'000**	2014 '000	**2015** **RMB'000**	2014 RMB'000
Chinese herbs – Underground Ginsengs (matured)	**126**	116	**24,978**	23,328

As at 31 December 2015 and 2014, no biological assets had been pledged as security for liabilities and there were no restrictions on the biological assets' title.

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 the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement":

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

31/12/2014	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

There were no transfers into or out of Level 2 during the years ended 31 December 2015 and 2014. 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.

20. TRADE AND OTHER RECEIVABLES

	2015 **RMB'000**	2014 RMB'000
Trade receivables (Note (i))	**16**	15
Fu Man Shan Zhen receivable (Note (ii))	**26,576**	27,564
Prepayment and other receivables	**880**	2,798
	27,472	30,377

	2015 **RMB'000**	2014 RMB'000
Non-current	**22,316**	22,564
Current	**5,156**	7,813
	27,472	30,377

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

	2015 **RMB'000**	2014 RMB'000
0 – 30 days	**–**	–
31 – 60 days	**1**	–
61 – 90 days	**–**	–
91 – 180 days	**–**	–
181 – 365 days	**–**	10
Over 365 days	**4,228**	4,218
Total trade receivables	**4,229**	4,228
Less: Impairment	**(4,213)**	(4,213)
Total trade receivables, net of impairment	**16**	15

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

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

Included in trade receivables are debtors with carrying amounts of approximately RMB15,000 (2014: RMB15,000) which are past due at the end of the reporting period for which the Group had not provided for impairment loss as there is no significant change in credit quality and the amounts are still considered recoverable. The management of the Group monitors the recoverable amount of each individual trade debt and considers adequate impairment loss is made for irrecoverable amount, if necessary. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

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

	2015 **RMB'000**	2014 RMB'000
91 – 180 days	**–**	–
181 – 365 days	**–**	10
Over 365 days	**15**	5
	15	15

Movements of impairment:

	2015 **RMB'000**	2014 RMB'000
Balance at beginning of the year	**4,213**	4,213
Impairment	**–**	–
Reversal of impairment	**–**	–
Balance at end of the year	**4,213**	4,213

Note (ii)

Fu Man Shan Zhen Receivable

As explained in note 17, 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 discounted with reference to the prevailing market interest rate at the date of initial recognition. The movements of the Fu Man Shan Zhen Receivable are as follows:

	2015 **RMB'000**	2014 RMB'000
Balance at beginning of the year	**27,564**	–
Recognition of Fu Man Shan Zhen Receivable (Note 17)	**–**	29,610
Imputed interest income during the year	**4,646**	2,954
Adjustment on revision of estimated receipts	**106**	–
Repayment during the year	**(5,740)**	(5,000)
Balance at end of the year	**26,576**	27,564

During the year, the Group revised its estimate of receipts from Fu Man Shan Zhen and adjusted the carrying amount of Fu Man Shan Zhen Receivable to reflect actual and revised estimated cash flows. The Group recalculated the carrying amount by computing the present value of estimated future cash flows at the Fu Man Shan Zhen Receivable's original effective interest rate, resulting in an income of approximately RMB106,000 was recognised in profit or loss.

21. CASH AND CASH EQUIVALENTS

	2015 **RMB'000**	2014 RMB'000
Cash and bank balances	**483**	5

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

Bank balances are interest bearing at respective saving deposits rate in the PRC, and the effective interest rates of the Group's balances is 0.35% (2014: 0.35%) per annum.

22. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**3,488**	3,488
Payables for PRC statutory contribution	**589**	589
Other taxes payable	**209**	210
Other payables and accruals	**1,429**	1,855
	5,715	6,142

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

	2015 RMB'000	2014 RMB'000
0 – 1 month	**–**	–
2 – 6 months	**–**	–
7 – 12 months	**–**	–
Over 1 year	**3,488**	3,488
Balance at end of the year	**3,488**	3,488

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

23. SHORT-TERM BORROWINGS

	2015 RMB'000	2014 RMB'000
Other borrowings	**–**	10,000

The balance represented 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.

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. The Company had made a provision of penalty of approximately RMB1,009,000 in this regard.

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

24. LONG-TERM BORROWINGS

	2015 RMB'000	2014 RMB'000
After one year but within two years	**–**	–
After two years but within five years	**–**	–
After five years (Note)	**22,500**	22,500
	22,500	22,500

Note:

The long-term borrowing with carrying amount of RMB22,500,000 (2014: RMB22,500,000) is unsecured and bears interest at over five years term lending interest rate per annum promulgated by The People's Bank of China discounting 10%. It was granted by Jilin City Finance Bureau ("JCFB") for the purpose of developing Yong Chong Cao Jun Powder Capsule over 20 years. The borrowing is repayable by instalments based on the scheduled repayment dates set out in the agreement until March 2030.

25. SHARE CAPITAL

	2015 RMB'000	2014 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.

26. 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) Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in notes 13 and in note 14, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**58**	**54**
Post-employment benefits	**11**	**11**
	69	**65**

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

27. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries of the Company as at 31 December 2015 and 2014 are as follows:

Name of Company	Place of incorporation/ operation	Form of legal entity	Registered Capital	Proportion of ownership interest directly held by the Company	Principal activities
Antao County Northeast Tiger Xinxing New Products Co., Limited	The People's Republic of China	Limited liability company	RMB20,000,000	100%	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

28. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or process for managing capital for the years ended 31 December 2015 and 2014.

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

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

The gearing ratios at 31 December 2015 and 2014 are as follows:

	2015 **RMB'000**	2014 RMB'000
Total liabilities	**28,215**	38,642
Total assets	**109,375**	108,957
Gearing ratio	**26%**	35%

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 **RMB'000**	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**27,196**	27,649
Financial liabilities		
Financial liabilities at amortised costs	**27,417**	37,843

(b) Financial risk management objectives and policies

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

(i) Market risk

Foreign currency risk

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

All the Group's cash and cash equivalents are denominated in Renminbi and deposited in banks located in the PRC. 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 21 and 24 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 2015 would decrease/increase by approximately RMB110,000 (2014: loss for the year increase/decrease by approximately RMB112,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances and long-term borrowing.

(ii) Credit risk management

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

Credit risk is concentrated as 100% (2014: 100%) and 100% (2014: 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 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.

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

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

(c) Fair value of financial instruments

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

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

30. EVENTS AFTER REPORTING PERIODS

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

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

		As at 31 December	
		2015	2014
	Notes	**RMB'000**	RMB'000
Non-Current Assets			
Intangible assets		**56**	63
Land use rights		**9,118**	9,365
Property, plant and equipment		**35,192**	33,008
Investments in subsidiaries	(i)	**20,200**	20,200
		64,566	62,636
Current Assets			
Trade and other receivables		**896**	1,065
Amounts due from subsidiaries	(ii)	**44,243**	51,329
Cash and bank balances		**478**	3
		45,617	52,397
Total Assets		**110,183**	115,033
Less: Current Liabilities			
Trade and other payables		**5,664**	6,034
Short-term borrowings		**–**	10,000
		5,664	16,034
Net Current Assets		**39,953**	36,363
Non-Current Liabilities			
Amount due to a shareholder			
Long-term borrowings		**22,500**	22,500
		22,500	22,500
Net Assets		**82,019**	76,499
Capital and Reserves attributable to owners of the Company			
Share capital		**74,665**	74,665
Reserves	(iii)	**7,354**	1,834
Total equity		**82,019**	76,499

This statement of financial position was approved and authorized for issue by the Board of Directors on 15 March 2016 and signed on behalf of the Board by:

Wang Shao Yan
Director

Qin Hai Bo
Director

Note (i): At the end of the reporting period, unlisted investments in subsidiaries are carried at cost.

Note (ii): The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Note (iii): Movements in reserves.

	Share premium RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2014	**19,027**	**11,326**	**-**	**9,685**	**(33,066)**	**6,972**
Loss and other comprehensive expenses for the year	**-**	**-**	**-**	**-**	**(5,138)**	**(5,138)**
As at 31 December 2014 and at 1 January 2015	**19,027**	**11,326**	**-**	**9,685**	**(38,204)**	**1,834**
Profit for the year	**-**	**-**	**-**	**-**	**1,776**	**1,776**
Other comprehensive income for the year	**-**	**-**	**3,744**	**-**	**-**	**3,744**
Total comprehensive income for the year	**-**	**-**	**3,744**	**-**	**1,776**	**5,520**
As at 31 December 2015	**19,027**	**11,326**	**3,744**	**9,685**	**(36,428)**	**7,354**

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

The statutory reserve as approved by the shareholders may be converted into share capital when the level of the reserve reaches 25% of the registered share capital provided that the balance of the statutory revenue reserve should not fall below 25% of the registered share capital after the conversion. As at 31 December 2015, no statutory revenue reserve was transferred into share capital subsequent to the Company's reorganisation to a joint stock limited Company (2014: Nil).

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

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

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

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

Financial Summary

FOR THE YEAR ENDED 31 DECEMBER 2015
(Expressed in Renminbi)

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

	Year ended 31 December				
Results	**2015 RMB'000**	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Profit/(Loss) attributable to owners of the Company	**7,101**	(26,708)	6,659	19,640	7,862

Assets and liabilities	**2015 RMB'000**	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	**109,375**	108,957	146,495	144,798	134,153
Total liabilities	**(28,215)**	(38,642)	(49,472)	(54,434)	(63,429)
Owners' equity	**81,160**	70,315	97,023	90,364	70,724