BAYTA CARE
北斗嘉药业股份有限公司

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

(A joint stock limited company incorporated in the People's Republic of China)
(Stock Code : 8197)

2017 Annual Report

* For identification purpose only

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Baytacare 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 GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this report misleading.*

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

Contents

Corporate Information

EXECUTIVE DIRECTORS
Wang Shaoyan
Cui Bingyan
Jiang Xiaobin (Appointed on 31 May 2017)
Qin Haibo (Retired on 31 May 2017)

NON-EXECUTIVE DIRECTORS
Shi Peng (Appointed 31 May 2017)
Guo Aiqun (Resigned on 31 May 2017)
Cao Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Yang Yulin (Appointed on 31 May 2017)
Gao Zhikai (Appointed on 31 May 2017)
Zhao Zhen Xing (Retired on 31 May 2017)
Chen Youfang (Resigned on 31 May 2017)
Hui Lai Yam

SUPERVISORS
Yang Lixue
Han Xue (Appointed on 31 May 2017)
Meng Shuhua (Retired on 31 May 2017)
Lin Xiarong

COMPANY SECRETARY
Ng Chen Huei (ACCA)

AUDIT COMMITTEE
Yang Yulin (Appointed on 31 May 2017)
Gao Zhikai (Appointed on 31 May 2017)
Zhao Zhen Xing (Retired on 31 May 2017)
Chen Youfang (Resinged on 31 May 2017)
Hui Lai Yam

COMPLIANCE OFFICER
Cui Bingyan

AUTHORIZED REPRESENTATIVES
Wang Shaoyan
Cui Bingyan

GEM STOCK CODE
8197

AUTHORIZED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE
Cui Bingyan

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

LEGAL ADVISORS AS TO HONG KONG LAWS
King & Wood Mallesons

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

HONG KONG BRANCH SHARE REGISTRATION AND TRANSFER OFFICE
Computershare Hong Kong
Investor Services Limited
17M th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 2002, 20/F, Haleson Building
1 Jubilee Street,
Central, Hong Kong

BUSINESS REVIEW AND PROSPECTS

On behalf of Board of Directors (the "Board") of Baytacare Pharmaceutical Co., Ltd. (the "Company"), I hereby present to our shareholders the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

Business Review

In 2017 under review, the effect of industrial structure changes brought about by China's economic restructuring and supply-side structural reforms gradually appear, at the same time, the state requirements over environmental protection management are also rising, and the China's economy is still in the new normal phase, and gradually began to pick up after a dip. In general, the Chinese consumer goods market continues to maintain a steady growth. However, with the Chinese government implementing more comprehensive and deepening reform measures to enable citizens to enjoy basic and quality medical services at a reasonable price, the pharmaceutical industry has undergone turbulent changes and restructuring. The relevant policies include the implementation of a new version of GMP to improve the quality of production and the elimination of non-compliant pharmaceutical companies; the implementation of better policies to further optimize the drug bidding mechanism for essential drugs; and taking measures to regulate drug promotion activities. More stringent policies and fierce market competition increase production and operating costs, and the domestic prices continue to rise, and the production and sales costs continue to increase, which further compromise the profitability of the industry. In spite of this, the state encourages the integration of medicine, medical treatment and internet technology, which should create new opportunities for the development of the industry.

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

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

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

Population aging is a very important issue for China in the coming decade. By the end of 2017, the number of Chinese residents aged 60 years or older reaches 240.9 million, the number of Chinese resident's aged 65 years or older reaches 158.31 million, representing 11.4% of the total population. According to projections, by 2030, there will be 240 million people aged 65 years or older, representing more than 16% of the total population, and there will be 330 million by 2050, representing 24% of the total population. According to United Nations standards, if the number of people aged 60 years or older accounts for 7% of the total population, the population will be regarded as entering an aging society, and if the number of people age 60 years or older accounts for 14% of the total population, the population will enter into a deeper ageing population; if the number of people aged 60 years or older accounts for 20% of the total population, the population will enter into an super-aged society. Since 2000, China has entered into a population aging society and is gradually deepening, and will enter into a deep stage of population aging around 2025 and will enter into the super-aged stage in about 2035.

Such a severe population aging is a problem and also is a market opportunity. How to solve the annuity problem of hundreds of millions of elderly people and meet their various service needs will create a huge market. The industry research analysis report pointed out that the current consumer demand in China's elderly care market is more than RMB3 trillion, and will reach RMB5 trillion in about 2050.

The Chinese government has basically established a policy system to support the development of the pension industry. Taking the "Several Opinions of the State Council on Accelerating the Development of the Elderly Care Service Industry《國務院關於加快發展養老服務業的若干意見》" and "Several Opinions on Promoting the Health Service Industry《關於促進健康服務業的若干意見》" issued in 2013 as the sign, the government's concern for the elderly care service began to enter into the field of elderly care services. Subsequently, the state and local governments introduced a series of policies to support the development of the pension service industry, and actively attract overseas funds into the market for the elderly services. The trend of some large financial institutions supporting the development of the aging service market is even more apparent. The development of the elderly service industry has not only attracted the attention of the government, but also has aroused strong concern from the community, especially private capital, thus creating a good social environment for the development of the aging service industry.

The development of heath care services for elderly is in line with the positioning of the Company's overall healthcare business. According to the research data from multiple sources, the primary concern of the elderly is health. Therefore, either providing elderly care services or products for the elderly is consistent with the overall business direction of the healthcare business of the Company.

At the end of 2016, the Company's management decided to enter the elderly hearth care industry, and regard this as one of the future main business directions of the Company. At the beginning of 2017, the Company organized corporate resources to carry out planning and preparation work for the elderly health care business. After a lot of research and analysis, the Company believes that regardless of the form of elderly health care, the future core competitiveness of the industry will be the service quality and talent system. The future health care for elderly in China will be designed by implementing the top-level policy of the country's "90-7-3", that is, 90% of the elderly adopt home-based care, 7% of the elderly rely on the community to provide elderly care, and 3% of the elderly care is from elderly care organization. The community elderly care service is the main supporting measure for home-based care and is the key to achieving the goal set through this policy. Thus, the Company further set the primary business clear direction for the development of community-based home care services.

From March to June 2017, the Company conducted in-depth communication with a large number of industry resources in the survey process of the old-age care industry, and prepared for the official business development in the future. On August 31, 2017, Mr. Wang Shaoyan, Chairman of the Board, together with his team, had in-depth exchange with the Japanese Invasive Cardiac Inc. ("JICI")(日本創心會株式會社), and the two sides reached a preliminary agreement on a common future elderly care business in China. JICI is an experienced Japanese elderly care enterprise founded in 1996, and currently employs 700 people and operates more than 50 homes for the aged in Japan and provides services to more than 2,000 elderly. JICI provides a variety of services such as day care centers, short-term placement, home care, home rehabilitation, Alzheimer's patients placement facilities, nursing taxis, home-appropriate aging transformation, and elderly assistive equipment rental. Their uniqueness lies in the idea of encouraging the elderly to live independently. JICI is the first organization in Japan to introduce rehabilitation training in elderly day care centers. They advocate the provision of "real care" and encourage the elderly to do what they can do, and help the elderly who are physically constricted to recover more vitality, so that the elderly and her/his family members can have more confidence in her/his live.

In October and December of 2017, the Company and JICI had two times of in-depth communications in Beijing, China and Okayama, Japan. The Company visited and investigated a number of homes for the aged operated by JICI and the results is very rewarding and informative to the Company. After the meeting, we both signed a memorandum of cooperation pursuant to which the both parties cooperated to carry out operations such as the operation of elderly care facilities and the cultivation of nursing care professionals in China. During the cooperation, the Company is mainly responsible for market development, external resource development, obtaining service licenses or competences, and construction fund raising. JICI is mainly responsible for the establishment of elderly care service standards and systems, training systems, and the development of curriculum content and elderly care management and delegation of Japanese training teachers. Subsequently, both parties began to work out a business plan for community elderly care service projects and other preparations for the project.

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

Beijing Beidoujia Management Consulting obtained seven registration certificates for computer software registration rights during December 2017 and January 2018, which were: Beidou satellite special group location security assistance service system V1.0 (北斗衛星特殊群體位置安全求助服務系統V1.0), Beidou satellite key vehicle location networking control platform system V1.0 (北斗衛星重點車輛位置聯網聯控平台系統V1.0), Beidou satellite intelligent terminal control and management system V1.0 (北斗衛星智能終端控制管理系統V1.0), Beidou satellite student position security service system V1.0 (北斗衛星學生位置安全服務系統V1.0), "e Jia Loan" financial car loan service platform system V1.0 ("e嘉貸"金融車貸服務平台系統V1.0), "e Jia Pregnant" online fetal heart monitoring service platform System V1.0 ("e嘉孕"在線胎心監測服務平台系統V1.0) and "e Jia Kang" health management service platform system V1.0 ("e嘉康"健康管理服務平台系統V1.0). In August and September 2017, the software development contracts were signed with Beijing Dongsheng Bozhan Science and Technology Development Co., Ltd.(北京東升博展科技發展有限公司) respectively, which were: 1. Health management service platform software commission development contract (健康管理服務平台軟件委託開發合同書); 2. Software commission development contract (finance car loan service & online fetal heart monitoring software)(軟件委託開發合同(金融車貸服務&在線胎心監測軟件)); 3. Beidou satellite key vehicle networking control cloud platform commission development contract (北斗衛星重點車輛聯網聯控雲平台委託開發合同); 4. Beidou satellite intelligent terminal control management software commission development contract (北斗衛星智能終端控制管理軟件委託開發合同); and 5. Student security location service application management platform system (special group security rescue software) commission research and development project contract (學生安全位置服務應用管理平台系統(特殊群體安全救援軟件)委託研發項目合同書).

Seven softwares are under development and not yet delivered to the Company. After the completion of software development, the target customers and development plans are as follows:

Serial no.	Product name	Product form	Target users	Major development plan
1	Beidou satellite key vehicle location networking control service cloud platform	Industry-specific software	Transportation industry authorities	1. Improve the functions of the system platform, select representative and specific pilot objectives for trial operation and trial services; 2. Take Beidou Emergency Command and Communications (北斗應急指揮通信) as the entry point, focus on the projects of public security, armed police, border defense emergency command and personnel dispatch, and strive to make breakthroughs; 3. Infiltrate the intelligent transportation and cars engaged in tourism, passenger cars of Class 3 and above, and road vehicles for transportation of dangerous chemicals, fireworks, civil explosives (兩客一危) monitoring field through cooperation with relevant smart city integrators; 4. Provide school bus safety monitoring services for self-owned school bus service agencies.
			Transportation Industry Supervision Department	
			Other related industry department	
			Transport-related enterprises and institutions	
		Internet SaaS platform	Small and micro enterprises and individual owners	
2	"E Jia Loan" financial car loan service internet platform	Internet SaaS platform	third/fourth/fifth/sixth tiered cities car loan finance companies	1. Complete the system's first iteration of development, conduct internal testing and trial operation, and improve it; 2. With the main objective of chartered companies and pilot counties, develop two or three users of different sizes to test whether the platform functions meet the user's habits and goals, and conduct stress tests, and test the stability and robustness of the platform; 3. Conduct the second iteration of development.
3	"E Jia Pregant" online fetal heart monitoring service internet platform	Internet SaaS platform	First and second tiered cities older and second child pregnant women	1. Complete the system's first iteration of development, conduct internal testing and trial operation, and improve it; 2. Select one maternal and child health care hospital in the core urban area of Beijing and provide 100 sets of trial terminal equipment and services for free; 3. Improve the commercial packaging and the local launching scheme, select a high-end office building in the Beijing CBD area for trial promotion; 4. Conduct the second iteration of development.

Serial no.	Product name	Product form	Target users	Major development plan
4	"E Jia Kang" Health Management Service System	Industry-specific software	Regional health service enterprises and institutions	Business support service software for pension and health management
5	Beidou Satellite Intelligent Terminal Control Management Software	Exclusive device embedded software	Hydropower station meter reading/oil and gas transmission monitoring	1. Complete the selection of the terminal equipment and the burning of the software, carry out prototype production, testing and various experiments, and apply for the Beidou terminal equipment distributor qualification and 3C; 2. Small batch production (about 100 units); 3. Conduct local trials in two companies, being Hong Kong Gas (香港燃氣) and Guoxin Energy (國新能源); 4. Develop channel distributors and system integrators in the provinces with advanced hydraulic resources, such as Hunan, Hubei, Guizhou and Yunnan.
6	Beidou Satellite Student Location Security Service System	Industry-specific software Internet SaaS platform	Education-related enterprises and institutions Channel distributors/agents/system integrators	1. Promote 18,000 students safety location service projects in 3 primary schools in Shijiazhuang and Zhumadian, and plan to go online in September 2018; 2. Focus on promoting the cooperation with Chongqing Mobile Company to form a strategic cooperation agreement, striving for the entries of products into China Mobile's recommended directory, and realizing the year-by-year conversion of users' distribution of Chongqing Mobile School Communications to integrated location services; 3. Development and integration with China Mobile's "and-Education" platform.
7	Beidou Satellite Special Group Location Security Assistance Service System	Industry-specific software	Civil Affairs/Special Schools/Hospitals/Pension	1. Cooperate with insurance companies such as Sunshine Insurance to promote the use of elderly security services on the basis of their pension insurance; 2. Promote cooperation with civil affairs departments in various regions to provide safe relief services for empty elderly people and obstacle groups.

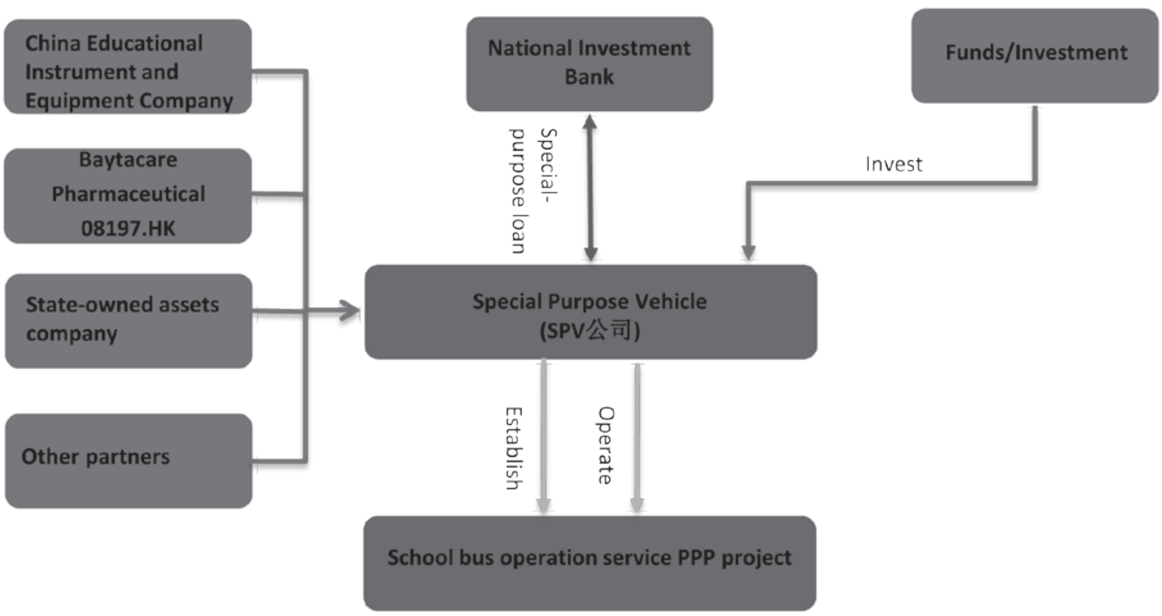
On January 20, 2017, the Company entered into a tripartite cooperation agreement called "School Bus Purchase and Sales Contract" with Beijing Shan Shi Media Technology Limited (北京山石傳媒科技有限公司) and Zhonghe Beidou Information Technology Limited (中和北斗信息技術股份有限公司) to develop rapidly and steadily school bus operation service business with the strong support of China Teaching Instrument and Equipment Co., Ltd (中國教學儀器設備有限公司).

China Teaching Instrument and Equipment Co., Ltd. was established in 1978 with the approval of the State Council. It is a comprehensive enterprise specializing in teaching and scientific research instrument and equipment. China Education Publishing & Media Group (中國教育出版傳媒集團) uses China Teaching Instrument and Equipment Co., Ltd. as the funding party of school bus operation PPP projects.

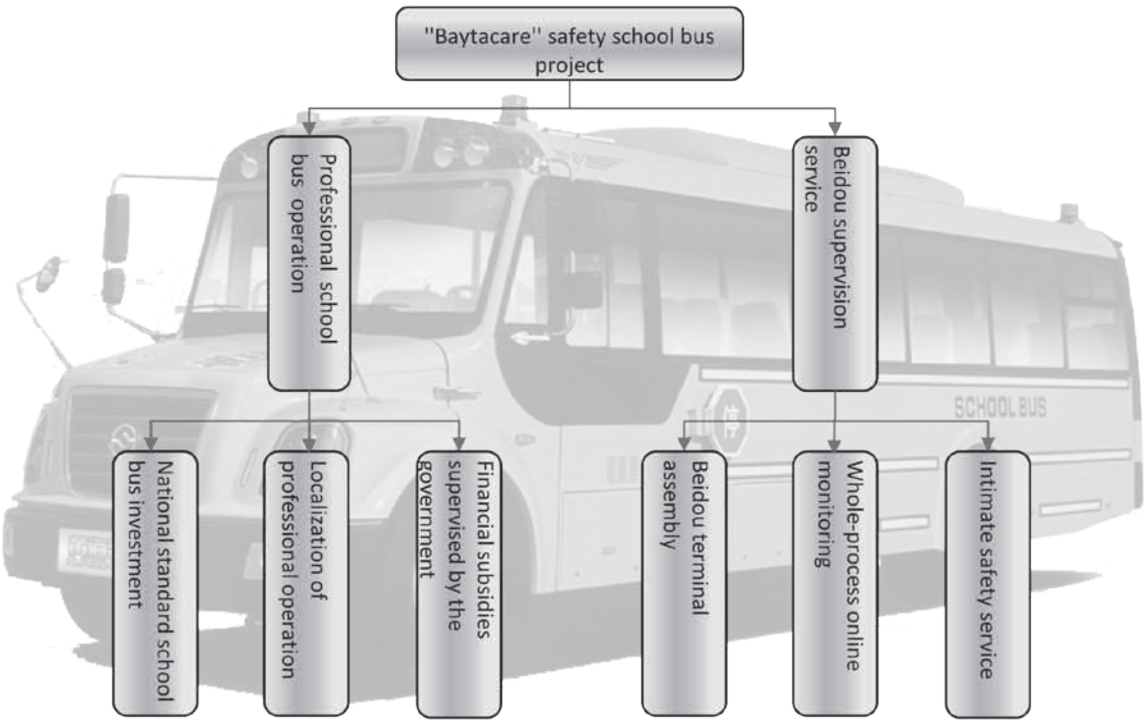
Beijing Shan Shi Media Technology Limited is a comprehensive media and cultural company that integrates film and television project investment, R&D, planning, production, promotion and artists agency.

Zhonghe Beidou Information Technology Limited is one of the first batches of Beidou satellite division level service providers in our country, and is a high-tech company specializing in Beidou satellite navigation scientific research, production, application services and civilian industrialization. The business covers public safety, emergency rescue, social security, medical hygiene, basic education, environmental protection, transportation and tourism services etc.

The main contents of the agreement are: Beijing Shan Shi Media Technology Limited coordinates and integrates all resources and Zhonghe Beidou Information Technology Limited provides Beidou technology. The Company purchases the intergrated schoool buses from Beijing Shan Shi Media Technology Limited.



The main contents of the school bus project include:



Specific contents include:

(1) Establish a professional operating service company
A localized and professional school bus operation company, which is in line with the standards and requirements of local education, public security, transportation and other related departments, is established by China Educational Instrument and Equipment Company, Baytacare Pharmaceutical and the partners. The company also signs related school bus service agreements with the government or educational authorities.

(2) Launch national standard school buses on the market on demand
According to the specific conditions of the education department and school student passengers, the company will make overall arrangements for school bus line operation. The company will invest in school buses that meet the standard requirements of the State and the Ministry of Industry and Information, and deploy advanced vehicle-mounted terminal equipment and technical means.

(3) Establish a standardized transportation monitoring system
We will establish and improve relevant management systems, safety systems and operating systems, built up a school bus operation monitoring platform, and arrange full-time security personnel to conduct daily inspection and supervision.

(4) Reduce student's burden through financial subsidies supervised by the government
The school bus operating service company conducts day-to-day shuttle bus services and bears all the operating expenses. In order to reduce the burden of students who ride school buses, the government and relevant management departments supervise the operation of school buses and subsidize the part of the deficit from the operation of the school bus company in accordance with the service agreement.

At present, the main promotion areas for project include Shaanxi, Henan and Gansu provinces, and breakthroughs have been made in Shaanxi.

On 14 June 2017, the Company, Zhonghe Beidou, Shenzhen Longyuan Shanzhuang Industrial Development Co., Ltd.* (深圳市龍園山莊實業發展有限公司) ("Longyuan Shanzhuang") and Beijing Zhongsheng Huifu Technology Co., Ltd.* (北京中盛匯富科技有限公司) ("Zhongsheng Huifu") entered into the JV agreement (the "JV Agreement"), pursuant to which the parties shall establish the JV company (the "JV Company"). The registered capital of the JV Company is RMB50,000,000. Pursuant to the JV Agreement, the Company, Zhonghe Beidou, Longyuan Shanzhuang and Zhongsheng Huifu shall contribute RMB20,000,000, RMB17,500,000, RMB10,000,000 and RMB2,500,000 and shall hold the equity interests in the JV Company as to 40%, 35%, 20% and 5% respectively. The JV Company will be engaged in the development of Helong Beidou Technology Town Project* (合隆北斗科技小鎮項目) in the Helong Economic Development Zone in Nong An County, Jilin Province* (吉林農安縣合隆經濟開發區) (the"Project"), with the aim to facilitate the development of smart health industries and civilian use of Beidou system and develop a modern characteristic town with the support of Beidou technology. It is expected that the Project will involve the construction of Beidou health big data centre and the development of related industries including elderly care and health industry, education industry and the industry in relation to application of Beidou technology. For details, please refer to the announcement of the Company dated 14 June, 2017. As at the date of this report, all parties have not yet made capital contribution to the JV Company.

(ii) *Planting, cultivation and sale of Chinese herbs*

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

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

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

The Company has already paid a sum of approximately RMB102,300,000 out of the total consideration of RMB173,530,000 pursuant to the Agreement, of which RMB2,300,000 has been returned by Fu Man Shan Zhen to Xinxing Co in December 2013. As a result of the said subsequent development, Fu Man Shan Zhen and Xinxing Co entered into the settlement agreement on 14 March 2014 (the "Settlement Agreement") whereby the parties thereto agreed and confirmed that:-: (i) the forest concession right (subject to the Xinxing Co's right to use the Forest Land for agricultural and animal breeding purposes at nil consideration for 18 years commencing from the date of the settlement and the economic benefits arising from such activities during the period (the "Breeding Rights") shall be returned to Fu Man Shan Zhen; (ii) Xinxing Co shall no longer be liable to settle the unpaid portion of the consideration pursuant to the Agreement; (iii) Fu Man Shan Zhen shall refund an aggregate of RMB100,000,000 in cash (i.e. RMB10,000,000 to be paid in cash within 15 days after signing of the Settlement Agreement and the remaining RMB90,000,000 be paid by 18 equal installments in cash in the next 18 years before 31 December each year, commencing from 2014) (the "Refund"); and (iv) Xinxing Co has the priority to continue to use the forest land on the same rate as those offered by other parties, should it wish to continue to use the forest land upon expiry of the 18-years period when Fu Man Shan Zhen fully settled the Refund and upon negotiation by the parties; and (v) Xinxing Co can assign the Forest Land right to other parties for agricultural and animal breeding purposes. During the year end 31 December 2017, the Fu Man Shan Zhen had financial difficulties and was unable to repay the remaining balance of the Refund. Accordingly, the management of the Company concluded that the recoverability of the Refund was remote and full impairment loss were recognised during the year.

Breeding and Processing of Traditional Chinese Medicine on the Forest Land

Underground Ginseng (林下參) was planted or breed on the Forest Land. During the year, the management of the Company engaged an independent expert team to formulate a development plan of breeding Chinese herbs including Platycodon (桔梗), underground Ganoderma Incidum (林下靈芝), Dandelio (蒲公英), Ginseng (西洋參) and Sehisandra (五味子) which will be plant or breed 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) Platycodon(桔梗)

Platycodon, also known as Talinum crassifolium, bellwort, is a perennial herb of Platycodon grandiflouorum. Platycodon is a medicinal and edible variety. It uses underground rhizomes for medicinal purposes. It has the functions of promoting phlegm and removing phlegm and discharging pus. The indications are cough and phlegm, sore throats, hoarse voice and lung abscesses, cough spit pus or blood and so on. In addition, the health foods such as Platycodon vegetable, filamentous Platycodon and Platycodon fruit using Platycodon as the main material are not only delicious, but also have the function of medical care. They are loved by urban and rural peoples. Platycodon is planted in mountainous or woodland. The average annual output is about 300 kilograms of dry Platycodon per mu. Due to the strong cyclical Platycodon, the price fluctuates greatly. The market price of dried Platycodon is RMB24.03kg. Therefore, the revenue of Platycodon is more than RMB7,000 per mu.

(iii) Undergrowth Ganoderma lucidum(林下靈芝)

Undergrowth Ganoderma lucidum, also known as Lin Zhongling, Qiongzhen, is a Ganoderma lucidum growing under the trees. Without artificial intervention, it grows naturally. Ganoderma lucidum has a two-way regulating effect on the human body. The treatment of ganoderma lucidum is related to the cardiovascular and cerebrovascular, digestive, neural, endocrine, respiratory, movement and other systems. Ganoderma lucidum has significant preventive and therapeutic effects on the tumor, liver disease, insomnia and aging especially. Also, Ganoderma lucidum has anti-fatigue, beauty, anti-aging, anti-AIDS and other effects and is one of the treasures in Chinese traditional medicine treasure house. The average annual output is 130 kilograms of dry undergrowth Ganoderma lucidum per mu. According to the current price of RMB124.83/kilograms of fresh Ganoderma lucidum the revenue of undergrowth Ganoderma lucidum is more than RMB16,000 per mu.

(iv) Dandelion(蒲公英)

Dandelion, commonly known as mother-in-law man, contains dandelion alcohol, taraxo- cerin, choline, organic acids, inulin and other healthy nutrients. Dandelion has the effect of diuresis and laxative, and has a therapeutic effect on jaundice. It's good for the gall bladder and so on. Also, it is rich in vitamins and calcium, phosphorus and iron, especially, its carotene and iron content is 2 to 3 times that of spinacia oleracea. Dandelion is a combination of both medicinal and edible plant. It can be eaten raw or be fried to eat or be made into soup. With the discovery of health care functions of dandelion, its market demand has increased. At present, the consumption of dandelion on the market is mainly divided into two types: herbs and vegetables. If sold as herbs, the average annual output is 700 kilograms dry dandelion per mu, and the price is RMB8.73 kilograms.

(v) Ginseng(西洋參)

Ginseng, also known as American Ginseng, Panax quinquefolius and West ginseng, is a perennial herbaceous plant of the ginseng family of the Araliaceae. It is native to Greater Quebec in Canada and Wisconsin in the United States. The ginseng in Canada is called Panax quinquefolius, and the ginseng in the United States is called American Ginseng. The West ginseng grows in a mountainous broad-leaved forest zone about 1000 meters above sea level, with an annual rainfall of about 1000 mm, an annual average temperature of about 13°C, a frost-free period of 150 to 200 days, and a mild climate and abundant rainfall. Therefore, Changbai Mountain in China and Huairou in Beijing are suitable for planting ginseng. The average annual output is 150 kilograms of dry ginseng per mu. The price of dried ginseng is about RMB538.83 per kilogram, so the revenue of ginseng is RMB80,000 per mu.

(vi) Schisandra (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, 100-200 kilograms of dry schizandra can be produced. The current market price of dry Schizandra is approximately RMB138.33 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 is required and it can avoid market risk and effectively use forest lands while protecting species resources.

Xinxing Co is situated 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 km^2. Yanbian Prefecture and Antao County are mainly mountainous areas located in Jilin Province, the PRC. To strive for developing local economy, the local governments of these two areas always encourage all kinds of enterprises to develop forest land resources. At present, the planting of organic food and organic Chinese medicine herbs and forest activities have become the hotspots of local economic growth in Yanbian Prefecture and Antao County. After many years of efforts in attracting outside capital investment, the local government of these two areas have gathered experiences in developing mountainous areas and forest land with private enterprises.

Jilin Province is geographically located in the middle latitude area of Northern continent. Its eastern part is near to Yellow Sea (黃海) and Japan Sea (日本海) and is relatively humid. Its western part is far away from the sea and is near to Mongolia Highland (蒙古高原) and is relatively dry. As a result of its unique geographical location, the four seasons in Jilin Province is particularly distinctive. The average yearly temperature in Jilin Province is 2.2-3.6 degree celsius. Sun light over a year is in average about 2,400-2,500 hours, yearly rainfall is about 594.7-669.7 mm. There are approximately 95-100 non-frozen days annually and approximately 120-130 non-frozen days annually in the southern part and northern part of Jilin Province respectively.

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, Platycodon (桔梗), Undergrowth Ganoderma lucidum (林下靈芝), Dandelion (蒲公英), Ginseng (西洋參), Schisandra (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.

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

(1) expanding production capacities of breeding of Chinese herbs;

(2) maintaining the quality of Chinese Herbs seedlings and seeds so that high quality ginseng can be produced;

(3) continuing to focus on production safety, environmental protection, operational excellence and community relations; and

(4) strengthening its research and development and developing more Chinese herbs products.

The Group intends to adjust the management team to integrate the existing resources of the Company and seek the best interests for the shareholders.

(iii) *General trading*

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

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

Since 2017, against the backdrop of the continuous deepening of the pharmaceutical system reform in the PRC, pharmaceutical enterprises have been facing severe challenges in terms of tightening of control over the medical insurance premiums, the consistency evaluation of generic drugs (仿製藥一致性評價) and the introduction of key monitored drug list by various provinces and cities. The entire industry underwent a painful period for reform. In April 2016, the State Council published the "Notice on Issuing the Key Tasks in 2016 of Deepening Reform of the Pharmaceutical and Healthcare System"* (《關於印發深化醫藥衛生體制改革二零一六年重點工作任務通知》) (the "Notice"), which required public hospitals to implement the two-invoice system. The Notice stated that the two-invoice system would first be implemented in 11 provinces at the initial stage before it is implemented nationwide. This leads to rapid destocking of the distributors, which directly affects the sales in the industry. It is expected that many pharmaceutical enterprises will be forced out of the industry or merged during this consolidation stage of the industry. In addition, the profit of the industry is under pressure due to the continuous increase in the costs of packaging, raw materials and wages.

On 28 November 2016, the Company entered into an assets transfer agreement as vendor with Jilin Chun Hua Qiu Shi Agricultural Development Co., Ltd. (吉林春華秋實農業開發有限公司) (the "Assets Disposal Agreement") as the purchaser to dispose of the assets at the aggregate consideration of RMB48,800,000 (the "Disposal"). On 6 July 2017, all the necessary approval, authorization and filings in relation to the Disposal have not been obtained within 180 days of the date of the Assets Disposal Agreement. Accordingly the Assets Disposal Agreement is terminated.

The Directors have been continuously assessing the Group's current business strategy, with the aim to streamline its business, enhance overall performance, prospects and attractiveness to market investors. The Directors basically foresee little growth potential of the medication business, and coupled with the fact that the revenue of the medication business is negligible, therefore limiting the choices and fundraising capability of the Company. There is a need to implement the strategy of streamlining the key businesses as an opportunity to improve the financial condition of the Group, so as to improve the prospects of the Group. The company will continue to look for suitable opportunities to sell the assets, which is used in GMP Chinese medicine business.

Prospects

Looking ahead to 2018, the Chinese economy will maintain steady economic growth. The demand side will face the slowdown in domestic demand and foreign demand. In 2018, the Ministry of Industry and Information Technology of the PRC will adhere to the basic requirements for high quality development, adhere to new development concepts, implement in depth the industrial internet innovation and development strategy, carry out "323" actions for the development of industrial internet, build up network, platform and security three main systems, boost the integration of large-scale enterprise innovation and the application of SMEs in two types of applications, build up industry, ecology and internationalization supports, and promote the development of industrial internet to a new level. The elderly care business of the company will enter the critical time for substantial implementation. In June 2016, China launched a long-term healthcare insurance in the 15 pilot cities across the country. The goal is to basically form a long-term care insurance policy framework during the "13th Five-Year Plan" period. Among them, Shanghai has started to provide long-term healthcare insurance since 2018. The 60-year-old staff medical insurance or resident medical insurance insured person can voluntarily apply for the unified needs assessment of the elderly care, and the disabled elderly who are assessed in the second to sixth grade is provided the corresponding nursing services by the designated nursing care service providers, and pay the care costs in accordance with the provisions. We expect the long-term care insurance across the country will be implemented by 2022 at the earliest opportunity. This policy will have a profound impact on the development of the elderly care service industry. Services that meet the real nursing needs of the elderly will be greatly promoted and developed.

In view of this, the cooperation between the Company and JICI will enable us to have more advanced service concepts and better service systems, and bring us core competitiveness. In 2018, the Company plans to establish 1-2 community service centers in the cities with rapid development of elderly care and better market acceptance (priority selection from those 15 long-term health care pilot cities), start providing elderly care services and complete the construction of the processes and systems of services as soon as possible, which lays the foundation for future large-scale replication.

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

By Order of the Board
Wang Shaoyan
Chairman

Beijing, the PRC
29 March 2018

The Directors are pleased to present their report together with the audited consolidated financial statements of Baytacare Pharmaceutical Co., Ltd. (the "Company") its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 (the "Reporting Period").

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 February 2002.

PRINCIPAL ACTIVITIES

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

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 102.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2017 can be found in the Management Discussion and Analysis as set out on pages 23 to 25 of this annual report. An indication of likely future developments in the Group's business can be found in the Chairman's Statement as set out on pages 3 to 16 of this annual report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk and uncertainties facing the Group are set out in the sections of "Chairman's Statement", "Management Discussion and Analysis" and note 33 to the consolidated financial statements of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The fundamental task of senior management of the Group is always leading the management to pay attention to environmental protection, perform social responsibility as an enterprise citizen, strengthen corporate governance, promote healthy and orderly development of the Group, and create more economic value and social utility for stakeholders such as consumers, upstream suppliers, downstream distributors, Shareholders, potential investors, management, employees, communities and even the environment.

COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the reporting period is set out in the sections of "Financial Summary" and "Financial Highlights" of this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The approximate percentages of purchases and sales for the year ended 31 December 2017 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	80%
– five largest suppliers combined	100%

Sales

– the largest customer	84%
– five largest customers combined	100%

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017.

RESERVES

Movement of the reserves of the Group and the Company during the year ended 31 December 2017 is set out in the consolidated statement of change in equity on page 47 and Note 36 to the consolidated financial statements respectively.

As of 31 December 2017, there was no reserves available for distribution as calculated under the statutory provisions of the PRC to equity shareholder of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of fixed assets of Group are set out in Note 17 and Note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movement of share capital of the Company are set out in Note 27 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report are as follows:

Executive Directors

Wang Shaoyan
Cui Bingyan
Jiang Xiaobin (Appointed on 31 May 2017)
Qin Haibo (Retired on 31 May 2017)

Non-executive Directors

Shi Peng (Appointed 31 May 2017)
Guo Aiqun (Resigned on 31 May 2017)
Cao Yang

Independent non-executive Directors

Yang Yulin (Appointed on 31 May 2017)
Gao Zhikai (Appointed on 31 May 2017)
Zhao Zhen Xing (Retired on 31 May 2017)
Chen Youfang (Resigned on 31 May 2017)
Hui Lai Yam

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

RETIREMENTS SCHEME, PERSONNEL AND PAYROLL

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

MANAGEMENT CONTRACTS

During the year ended 31 December 2017, there is no contract entered into by the Company relating to the management and administration of the entire or any substantial part of the business of the Group.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Directors or supervisors of the Company or an entity connected with the Directors and the supervisors of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2017.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2017 are set out in Note 25 to the consolidated financial statements.

CONNECTED TRANSACTIONS

Pursuant to the lawsuit between Zhong Xing Heng He Investment Group Company Limited* (中興恒和投資集團有限公司) (the "**Guaranteed Entity**") and a third party (the "**Third Party**") in respect of certain disputes on shares transfer (the "**Lawsuit**") and the court orders issued by the relevant count in the PRC, the Guaranteed Entity was ordered to pay to the Third Party for the outstanding liabilities in the amount of RMB35,000,000.

On 20 January 2017, the Company had entered into the settlement agreement (the "**Settlement Agreement**") with the Third Party, the Guaranteed Entity, Mr. Wang Yan ("**Mr. Wang**") and Mr. Wang Shaoyan ("**Mr. Wang Junior**"), pursuant to which each of the Company and Mr. Wang Junior agreed to undertake joint and several obligations for the outstanding liabilities of the Guaranteed Entity under the Lawsuit, in which the maximum amount of guarantee provided by the Company and Mr. Wang Junior was RMB35,000,000.

As at the date of the Settlement Agreement, the Guaranteed Entity was owned as to approximately 96.54% by Mr. Wang. Mr. Wang is the father of Mr. Wang Junior, who is an executive Director and the chairman of the Board. As such, the Guaranteed Entity is an associate of Mr. Wang Junior and a connected person of the Company. Therefore, the Settlement Agreement constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

For details, please refer to the announcement of the Company dated 29 March 2018.

Save as disclosed above, during the year ended 31 December 2017, the Group had no material related party transactions, which constituted connected transactions under the GEM Listing Rules.

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

As at 31 December, 2017, none of the Directors, supervisors ("Supervisors") and chief executives of the Company had interests and short positions in the shares (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Company and the Stock Exchange.

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

As at 31 December, 2017, Group was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors or Supervisors, as at 31 December, 2017, the persons or companies (not being a Director, Supervisor or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follow:

Long positions in Shares

Name	Capacity	Number of domestic Shares held	Approximate percentage of total issued domestic Shares (%)	Approximate percentage of total issued Shares (%)
Beijing Baoying Chuangfu Investment Management Center (Limited Partnership)* (北京寶盈創富投資管理中心(有限合夥)) (Note)	Beneficial owner	398,534,660	65.37	46.44
Guo Feng (Note 1)	Beneficial owner	137,611,830	22.57	16.04
Wang Yu Qin (Note 2)	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Zhong Jia Hui Tong Investment Management Company Limited* (北京中嘉慧通投資管理有限公司) (Note 2)	Beneficial owner	31,500,000	5.17	3.67
Yu Bo (Note 3)	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Yue Sheng Investment Management Company Limited* (北京悦升投資管理有限責任公司) (Note 3)	Beneficial owner	31,500,000	5.17	3.67

Notes:

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

   (1) Ms. Guo and Beijing Baoying have agreed to enter into (i) a share transfer agreement before 31 December 2016 pursuant to which Ms. Guo shall sell, and Beijing Baoying shall purchase, an aggregate of 137,611,830 domestic Shares at RMB0.1674 per domestic share for an aggregate consideration of RMB23,036,220, and (ii) a share pledge agreement pursuant to which Ms. Guo shall pledge an aggregate of 137,611,830 domestic Shares to Beijing Baoying; and

   (2) Mr. Zhang and Beijing Baoying have agreed to enter into (i) a share transfer agreement before 31 July 2016 pursuant to which Mr. Zhang shall sell, and Beijing Baoying shall purchase, an aggregate of 1,618,960 domestic Shares at RMB0.1674 per domestic share for an aggregate consideration of RMB271,014, and (ii) a share pledge agreement pursuant to which Mr. Zhang shall pledge an aggregate of 1,618,960 domestic Shares to Beijing Baoying. As at the date of this announcement, the aforesaid share transfer agreements have not been entered into.

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

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

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

Save as disclosed above, as at 31 December, 2017, the Directors were not aware of any other person who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTERESTS

During the year ended 31 December 2017 and as at the date of this report, none of the Directors, Supervisors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had an interest in any business that competed or may compete, either directly or indirectly, with the business of the Group, nor any conflicts of interest which he/she has or may have with the Group.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Group. The audit committee comprises three members, the current chairman of the committee is Mr. Yang Yulin (appointed on 31 May 2017 to replace Mr Zhao Zhen Xing who retired on 31 May 2017), an independent non-executive Director, and the other members are Mr. Gao Zhikai (appointed on 31 May 2017 to replace Mr. Chen Youfang, who resigned on 31 May 2017) and Ms. Hui Lai Yam, both of whom are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Group's audited results for the year ended 31 December 2017 and was of the opinion that the preparation of the audited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2017, save for the deviation from code provision A.4.2 as disclosed in the Corporate Governance Report, the Group had complied with all code provisions of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules.

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

The Company has adopted a model code of practice with standards not lower than those required as set out in Rules 5.48 to 5.67 of the GEM Listing Rules for securities transactions by Directors. The Company has confirmed after making due enquiries with the Directors in accordance with the code of practice, that all the Directors had complied with the standard of dealings and model code of practice in relation to securities transaction by Directors during the year ended 31 December 2017.

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

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

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period of the Group are set out in note 35 to the consolidated financial statements of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017.

INDEPENDENT AUDITORS

The consolidated financial statements have been audited by Pan-China (H.K.) CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Pan-China (H.K.) CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

The Company has not changed its external auditors during each of the years ended 31 December 2014, 2015, 2016 and 2017.

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

By Order of the Board
Wang Shaoyan
Chairman

Beijing, the PRC
29 March 2018

For the year ended 31 December 2017, turnover amounted to approximately RMB17,080,000 (2016: RMB29,480,000), gross profit amounted to approximately RMB863,000 (2016: RMB9,210,000), overall gross profit margin was approximately 5.05%. Other revenue decreased by approximately 41.74% from RMB9,733,000 to approximately RMB5,670,000, mainly due to exchange gain decreased by approximately RMB783,000. Meanwhile, in 2016, there was written back of trade payables and such item was absent in 2017. Moreover, during 2017, there was other interest income amounting to approximately RMB181,000 while there was no such item in 2016. Imputed interest income and interest income from bank deposits slightly increased by approximately RMB37,000 and RMB5,000 respectively. Gain arising from changes of fair value less costs to sell of biological assets increased by approximately 37.23% to approximately RMB1,784,000 (2016: approximately RMB1,300,000). Impairment loss on trade receivables was approximately RMB 15,473,000 (2016: nil). Impairment loss on Fu Man Shan Zhen Receivable was approximately RMB31,018,000 (2016: nil). Impairment loss on refundable deposit was approximately RMB20,000,000 (2016: nil). Fair value gain on investment properties was approximately RMB7,000 (2016: nil). General, administrative and operating expenses increased by 100.72% from approximately RMB14,760,000 to approximately RMB29,627,000 due to additional employment cost and increase in promotion expenses for development of new business, and increase in rental expenses for new office premises. Finance costs decreased by 22.14% to approximately RMB626,000. Loss attributable to shareholders amounted to approximately RMB73,596,000 (2016: profit of approximately RMB255,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had total assets of approximately RMB157,906,000 which were financed by current liabilities of approximately RMB10,558,000, long-term liabilities of approximately RMB37,033,000, shareholders' equity of approximately RMB117,265,000 and non-controlling interests' deficit of approximately RMB6,950,000.

The Group generally services its debts primarily through cash generated from its operations. As at 31 December 2017, the Group had cash and bank balances of approximately RMB919,000.

As at 31 December 2017, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 4.20, 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 30.14%.

BORROWINGS

As at 31 December 2017, the total borrowings of the Group amounted to approximately RMB22,500,000 (31 December 2016: approximately RMB22,500,000). The borrowings were denominated in Reminbi and bore interest at floating rate.

TREASURY POLICIES

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

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

EMPLOYEE INFORMATION

Remuneration of the Group's employees was determined by reference to the performance, qualification and experience of the relevant staff. Based on operating result, a discretionary incentive bonus based on individual performance may be distributed to reward their contributions to the Group. The management is of the opinion that employees are the most treasured assets of the Group. Accordingly, the Group has actively created a corporate environment to nurture them to their full potentials. As at 31 December 2017, total heads of staff was 33 (2016: 37), payroll costs of the Group for the year ended 31 December 2017 amounted to RMB6,593,000 (2016: RMB3,189,000). Other employee benefits, including retirement benefits, medical insurance and housing fund contributions, remained at appropriate levels. Various training and development courses were also offered to enable employees to upgrade their skills.

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

SIGNIFICANT INVESTMENT

As at 31 December 2017, the Group did not have any significant investment.

ACQUISITIONS AND DISPOSAL OF MAJOR ASSETS

On 28 November 2016, the Company entered into the assets transfer agreement (the "Assets Acquisition Agreement") as purchaser with Beijing Heng Yuan Ji Ye Investment Management Co., Ltd.* (北京恒源基業投資管理有限公司) as vendor to acquire the property located in Chaoyang District, Beijing, the PRC with a construction area of 592.13 square metres at the aggregate consideration of RMB66,600,000 (the "Property Acquisition"). As at 6 July 2017, all the necessary approval, authorization and filings in relation to the Property Acquisition have not been obtained on 30 April 2017 and the Company and the vendor have not been able to reach an agreement on the extension of the date for fulfilment of the conditions precedent. Accordingly, on 6 July 2017, the Company and the vendor entered into a termination agreement, pursuant to which the parties agreed to terminate the Assets Acquisition Agreement.

On 28 November 2016, the Company (as vendor) entered into the assets transfer agreement (the "Assets Disposal Agreement") with Jilin Chun Hua Qiu Shi Agricultural Development Co., Ltd*. (吉林春華秋實農業開發有限公司) (as purchaser) to dispose of the assets previously used by the Group in the GMP Chinese medicine business at the aggregate consideration of RMB48,800,000 (the "Disposal"). As at 6 July 2017, all the necessary approval, authorization and filings in relation to the Disposal have not been obtained within 180 days of the date of the Assets Disposal Agreement. Accordingly, on 28 June 2017, the Company issued a termination notice to the purchaser (the "Termination Notice"), which provides that the purchaser shall be deemed to have forfeited the Disposal and agreed to the termination of the Assets Disposal Agreement if the Company does not receive any written response to the Termination Notice from the purchaser within 7 days of the issuance of the Termination Notice. As advised by the Company's PRC legal advisers, the Termination Notice is effective and enforceable under the PRC laws and regulations. As no written response to the Termination Notice has been received by the Company from the purchaser, the purchaser is deemed to have agreed to the termination of the Assets Disposal Agreement and accordingly the Assets Disposal Agreement is terminated with effect from 6 July 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 13 April, 2016, the Company entered into a strategic framework cooperation agreement with Anhui Pharmaceutical (Group) Co., Ltd.* (安徽省醫藥(集團)股份有限公司) ("Anhui Pharmaceutical") and Zhonghe Beidou Information Technology Co., Ltd.* (中和北斗信息技術股份有限公司) ("Zhonghe Beidou") (the "Strategic Cooperation Framework Agreement"). On 28 November 2016, due to commercial reasons, the Company, Anhui Pharmaceutical and Zhonghe Beidou entered into a supplemental agreement, pursuant to which it was agreed that the form of cooperation under the Strategic Cooperation Framework Agreement shall be changed such that (1) the Company and Zhonghe Beidou shall form the Project Company; and (2) Anhui Pharmaceutical will enter into cooperation agreement(s) with the Project Company separately for the specific projects in the future. The registration procedures with the relevant industry and commerce bureau in the PRC have been completed and the Project Company was established on 8 December, 2016. On 21 April 2017, the Company (as purchaser) and Zhonghe Beidou (as vendor) entered into an equity transfer agreement, pursuant to which Zhonghe Beidou agreed to transfer and the Company agreed to acquire the 10% equity interest in the Project Company held by Zhonghe Beidou. The aforesaid equity transfer was completed on 28 June 2017 and the Project Company has become a wholly-owned subsidiary of the Company. In order to enhance the Group's focus on other core business segments which could provide return within a shorter period of time and improve the liquidity and overall financial position of the Group, the Company (as vendor) and Zhonghe Beidou (as purchaser) entered into the equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which the Company agreed to transfer and Zhonghe Beidou agreed to acquire the 100% equity interest in the JV Company held by the Company on 22 December 2017. As at the date of the Equity Transfer Agreement, neither the Company nor Zhonghe Beidou had made capital contribution to the JV Company since its establishment. The aforesaid equity transfer was completed on 19 January 2018.

SEGMENT INFORMATION

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

CHARGES ON ASSETS

As at 31 December 2017 and 2016, no assets of the Group were pledged as security.

FOREIGN EXCHANGE RISK

Since all of the income and most of the expenses of the Group are denominated in Renminbi, as at 31 December 2017, the Directors consider the impact from foreign exchange exposure of the Group is minimal. As at the date of this report, the Group has no hedging policy with respect to the foreign exchange exposure.

CONTINGENT LIABILITIES

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

DIRECTORS

Executive Directors

Mr. Wang Shaoyan (Mr. Wang), aged 35, has prior experience as a project manager, deputy general manager and general manager of Beijing Shiji Fengqing Broadcast Limited* (北京世紀風情文化傳播有限公司) from 2007 to 2014. He obtained a Master of Science degree in mechanical and manufacturing engineering from the University of Birmingham in 2007 and a Bachelor of Business Administration degree from the West Coast University in 2005. Mr. Wang currently is also the chairman of the Board.

Ms. Cui Bingyan (Ms. Cui), aged 44, currently serves as the general manager of Shenzhen Longyuan Shanzhuang Property Management Limited* (深圳市龍園山莊物業管理有限公司). Ms. Cui has prior experience as the general manager of Shenzhen Zhonghao (Group) Company Limited* (深圳中浩(集團)股份有限公司) from 1996 to 1998, the office manager of Haerbin Gongbai Holding Limited* (哈爾濱市工百集團) from 1993 to 1996, and a veteran of the 81156 army hospital of People's Liberation Army 13th Army* (中國人民解放軍第十三集團軍81156部隊醫院) from 1989 to 1992. She obtained a Master of Business Administration degree from the University of Northern Virginia in 2007. Ms. Cui completed an advanced seminar in property asset management at Tsinghua University in 2004. Ms. Cui obtained a bachelor's degree in law from National University of Defense Technology in 2004 and a college degree in history from Heilongjiang Institute of Education in 1996.

Mr. Jiang Xiaobin (Mr. Jiang) (Appointed on 31 May 2017), aged 47, obtained a bachelor's degree in international economics and trade from Beijing International Studies University (北京第二外國語學院) in 1994, a master degree in Chinese medicines preparations from Beijing University of Chinese Medicine (北京中醫藥大學) in 2003 and a master's degree in business administration from Capital University of Economics and Business (首都經濟貿易大學) in 2005. He had been the president for operation and sale of Right Health Nutrition American Group Inc. (美國雷德生物健康產業集團) from March 2004 to March 2009. From June 2009 to March 2016, he was the chairman of the board of directors of Beijing Holley-Cotec Pharmaceuticals Co., Ltd.* (北京華方科泰醫藥有限公司). Since December 2016, he has been the chairman of the board of directors of Zhong Sheng Wantong Investment Fund Management (Beijing) Company Limited* (中盛萬通投資基金管理(北京)有限公司).

Mr. Qin Haibo (Mr. Qin) (Retired on 31 May 2017), aged 46, graduated from Changchun Tax Institute (長春稅務學院*) in Accounting (會計學專業*). He is an accountant in the PRC and currently is the chief financial officer of the Company. He has been engaged in the production and sales of Chinese medicine products in the PRC for about eighteen years. He was appointed as an executive Director on 27 November 2012.

Non-executive Directors

Mr. Shi Peng (Mr. Shi)(Appointed on 31 May 2017), aged 42, obtained a bachelor's degree in public service management (film management) from Beijing Film Academy* (北京電影學院) in 2004. From June 2003 to June 2006, he had been the chairman of the board of directors of Beijing Jin Wu Huan Real Estate Development Company Limited* (北京金五環房地產開發有限公司). Mr. Shi then became an actor from June 2006 to 2016. Since 2017, Mr. Shi has been the chairman of the board of directors of Beijing Jin Wu Huan Real Estate Development Company Limited* (北京金五環房地產開發有限公司).

Mr. Guo Aiqun (Mr. Guo)(Resigned on 31 May 2017), aged 47. 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. Cao Yang (Mr. Cao), aged 38, obtained a bachelor's degree in automation from Northeastern University, the People's Republic of China (中國東北大學) and has worked in the electronic industry for 14 years. Mr. Cao has prior experience as an engineer at Xu Dian (Suzhou) Technology Company Limited* (旭電(蘇州)科技有限公司) from 2002 to 2005, a manager at Suzhou Sheng Ze Electronic Company Limited* (蘇州盛澤電子有限公司) from 2005 to 2006, and a general manager at Kemaida (Beijing) Electronic Company Limited* (科邁達(北京)電子有限公司) from 2006 and onwards. Mr. Cao has entered into a letter of appointment with the Company for an initial term of three years from 13 April 2016.

Independent non-executive Directors

Mr. Yang Yulin (Mr. Yang) (Appointed on 31 May 2017), aged 64, obtained a doctor of philosophy (engineering design and manufacture) from The University of Hull in January 2004. He had been the vice principal of Yanshan University (燕山大學) from July 1995 to July 1999 and from September 2003 to December 2014. He had been the chairman of the board of directors of Eagle Equipment Technology QHD Co., Ltd.* (鷹領航空高端裝備秦皇島有限公司) from December 2014 to December 2016.

Mr. Gao Zhikai (Mr. Gao) (Appointed on 31 May 2017), aged 56, holds a Juris Doctor degree from Yale Law School and holds a master degree in politics from the graduate school of Yale University. He obtained a master degree in English literature from Beijing Foreign Studies University* (北京外國語大學) and a bachelor's degree in English literature from Suzhou University* (蘇州大學). Mr. Gao is licensed as an attorney-at-law in the State of New York of the United States of America. Mr. Gao is currently the director of China Energy Security Research Institute* (中國能源安全研究所), the vice president of China Beidou Industry Promotion Association* (中國北斗產業促進會), the deputy chairman of Sino-Europe United Investment Corporation* (中歐聯合投資有限公司) and a consultant of Arabian American Oil Company (沙特阿美公司). Mr. Gao is currently also a non-executive director of Huanxi Media Group Limited (stock code: 1003) and an independent non-executive director of E-Commodities Holdings Limited (stock code: 1733), the shares of both are listed on the Main Board of the Stock Exchange.

Mr. Zhao Zhen Xing (Retired on 31 May 2017), aged 74, was appointed as an independent non-executive director of the Company on 30 September 2004. He graduated from College of Jilin Provincial Finance and banking. He became a registered auditor of PRC in 1994, and in July 1997 he was recognized as a senior accountant of PRC. He was the manager of the internal audit department of Jilin Tansu Group, Jilin Tansu Company Limited during 1991 to 2001. He served as a Supervisor of Jilin Tansu Group, Jilin Tansu Company Limited during 1997 to 2001

Mr. Chen Youfang (Resigned on 31 May 2017) (Mr. Chen), aged 26, has been serving as an assistant to the chief executive officer and a supervisor at China Wit Media Co., Ltd. (深圳市中匯影視文化股份有限公司) since 2014. Mr. Chen has prior experience as the deputy general manager of Shanghai Xitian Youxi Script Creative Studio (Limited Partnership)* (上海喜天遊戲劇本創意工作室(有限合夥)) from 2013 to 2014, the chairman of Beijing Lihua Xingguang Television Culture Co., Ltd.* (北京麗華星光影視文化有限公司) and an executive director of Canada Huamei Mining Limited* (加拿大華美礦業公司) from 2012 to 2013. He obtained a Bachelor of Arts degree from the University of Washington (Seattle campus) in 2014.

Ms. Hui Lai Yam (Ms. Hui), aged 48, has worked in the accounting industry for 24 years. She graduated from Xiamen University in Accounting. Ms. Hui is a Certified Dealmaker endorsed by the China Mergers and Acquisition Association.

SUPERVISORS

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

Ms. Han Xue (Ms. Han) (Appointed 31 May 2017), aged 29, obtained a bachelor of arts degree in Japanese language from Hebei University of Economics and Business (河北經貿大學) in July 2011. From June 2011 to June 2016, she had been the secretary of the chairman of the board of directors of Xunhe Business Innovation (Beijing) Limited (訊和創新科技(北京)有限公司). Currently, Ms. Han had been the manager of the board of Directors of the Company.

Ms. Meng Shuhua (Retired on 31 May 2017), aged 46, 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 (Ms. Lin), aged 36, has worked in the accounting industry for approximately 11 years. Since 2009, she has been serving as the financial manager of Shenzhen Longyuan Shanzhuang Industrial Development Company Limited* (深圳市龍園山莊實業發展有限公司). Ms. Lin is a certified senior accountant accredited by the International Profession Certification Association. From 2004 to 2008, Ms. Lin was an accountant with Shenzhen Longyuan Shanzhuang Property Management Company Limited* (深圳市龍園山莊物業管理有限公司). Ms. Lin graduated from Shenzhen University in Business Administration in 2005.

SENIOR MANAGEMENT

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

Report of the Supervisory Committee

To the Shareholders:

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

During the year ended 31 December 2017, Supervisory Committee had reviewed cautiously the operation and development plans of the Group and provided reasonable suggestions and opinions to the board (the "Board") of directors (the "Directors") of the Company. It also strictly and effectively monitored and supervised the Group's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors, 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. During the period under review, there is no transactions between the Group and connected. Up till now, none of the Directors, general manager and senior management staff had been found abusing their authority, damaging the interests of the Group and infringing upon the interests of its shareholders and employees. None of them were found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Group in 2017 and has great confidence in the future of the Group.

By Order of the Supervisory Committee
Yang Lixue
Chairman

Beijing, the PRC
29 March 2018

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 Appendix 15 to the GEM Listing Rules by establishing a formal and transparent procedure to protect and maximize the interests of shareholders during the period under review.

BOARD OF DIRECTORS

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

Executive Directors
Wang Shaoyan *(Chairman)*
Cui Bingyan *(Chief Executive)*
Jiang Xiaobin (Appointed on 31 May 2017)
Qin Haibo (Retired on 31 May 2017)

Non-executive Directors
Shi Peng (Appointed 31 May 2017)
Guo Aiqun (Resigned on 31 May 2017)
Cao Yang

Independent non-executive Directors
Yang Yulin (Appointed on 31 May 2017)
Gao ZhiKai (Appointed on 31 May 2017)
Zhao Zhen Xing (Retired on 31 May 2017)
Chen Youfang (Resigned on 31 May 2017)
Hui Lai Yam

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

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

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

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out on pages 26 to 29 of this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship (including financial, business, family or other material or relevant relationship) among the members of the Board.

The Company 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. Yang Yulin, Mr. Gao Zhikai and Ms 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/her independence, and the Group considers such Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules. All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

During the year under review, Mr. Wang Shaoyan was the chairman; Ms. Cui Bingyan was the general manager. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual during the year under review, the chairman's responsibility is to manage the Board while the chief executive officer's is to manage the business of the Group.

Training and Support for Directors

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

BOARD MEETINGS

The Board held a full board meeting for each quarter. During the year ended 31 December 2017, a total of 20 Board meetings were held.

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

Directors	**Attendance Times**
Wang Shaoyan	20
Cui Bingyan	20
Jiang Xiaobin (Appointed on 31 May 2017)	10
Qin Haibo (Retired on 31 May 2017)	4
Shi Peng (Appointed 31 May 2017)	4
Guo Aiqun (Resigned on 31 May 2017)	0
Cao Yang	20
Yang Yulin (Appointed on 31 May 2017)	10
Gao Zhikai (Appointed on 31 May 2017)	10
Zhao Zhen Xing (Retired on 31 may 2017)	4
Chen Youfang (Resigned on 31 May 2017)	10
Hui Lai Yam	19

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

GENERAL MEETINGS

During the year ended 31 December 2017, a total of 3 general meetings were held.

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

Directors	Attendance Times
Wang Shaoyan	3
Cui Bingyan	3
Jiang Xiaobin (Appointed on 31 May 2017)	3
Qin Haibo (Retired on 31 May 2017)	0
Shi Peng (Appointed 31 May 2017)	3
Guo Aiqun (Resigned on 31 May 2017)	0
Cao Yang	3
Yang Yulin (Appointed on 31 May 2017)	3
Gao Zhikai (Appointed on 31 May 2017)	3
Zhao Zhen Xing (Retired on 31 May 2017)	0
Chen Youfang (Resigned on 31 May 2017)	0
Hui Lai Yam	0

REMUNERATION COMMITTEE

The remuneration committee was established in August 2005. The current chairman of the committee is Mr. Gao Zhikai (Appointed on 31 May 2017 to replace Mr. Wang Shaoyan，who resigned on 31 May 2017), an independent non-executive Director, and other members are Mr. Shi Peng (Appointed on 31 May 2017 to replace Mr. Cao Yang, who resigned on 31 May 2017), a non-executive Director and Mr. Yang Yulin (Appointed on 31 May 2017 to replace Mr. Zhao Zhen Xing, who retired on 31 May 2017), an independent non-executive Director.

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

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

During the period under review, 1 meeting of the remuneration committee was held at the end of December 2017. Details of the attendance of the meeting of the remuneration committee are as follows:

Members	Attendance Times
Mr. Wang Shaoyan (Resigned on 31 May 2017)	1
Mr. Gao Zhikai (Appointed on 31 May 2017)	0
Mr. Shi Peng (Appointed on 31 May 2017)	0
Mr. Cao Yang	1
Mr. Yang Yulin (Appointed on 31 May 2017)	0
Mr. Zhao Zhen Xing (Retired on 31 May 2017)	1

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

NOMINATION COMMITTEE

The nomination committee was established in December 2012. The current chairman of the committee is Mr. Wang Shaoyan (Replaced Mr. Qin Haibo, who retired as an executive Director on 31 May 2017), an executive Director, and other members are Mr. Gao Zhikai (Replaced Mr. Zhao Zhen Xing, who retired as an independent non-executive Director on 31 May 2017) and Ms Yang Yulin (Replaced Ms. Hui Lai Yam, who is an independent non-executive Director), both of them are independent non-executive Directors. The duties of the nomination committee include, among others, formulating nomination policies and making recommendation to the Board regarding nomination, appointment and replacement of directors. The committee will also establish recruitment procedures, review the structure, number of members and composition of the Board and assess the independence of the independent non-executive directors. During the year ended 31 December 2017, the committee held 1 meeting.

Members	Attendance Times
Mr. Wang Shaoyan (Appointed on 31 May 2017)	0
Mr. Qin Haibo (Retired on 31 May 2017)	1
Mr. Yang Yulin (Appointed on 31 May 2017)	0
Mr. Zhao Zhen Xing (Retired on 31 May 2017)	1
Mr. Gao Zhikai (Appointed on 31 May 2017)	0
Ms. Hui Lai Yam (Resigned on 31 May 2017)	1

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

DIVERSITY OF THE BOARD

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process, financial controls, internal control and risk management systems of the Group and provide advice and comments on the Group's draft annual reports and accounts, half year reports and quarterly reports to Directors. The audit committee comprises three members, the current chairman of the committee is Mr. Yang Yulin (Appointed on 31 May 2017 to replace Mr. Zhao Zhen Xing, who retired on 31 May 2017), an independent non-executive Director and other members are Mr. Gao Zhikai (Appointed on 31 May 2017 to replace Mr. Chen Youfang, who resigned on 31 May 2017) and Ms Hui Lai Yam, both of them are independent non-executive Directors.

The audit committee held 5 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance Times
Yang Yulin (Appointed on 31 May 2017)	4
Gao Zhikai (Appointed on 31 May 2017)	4
Zhao Zhen Xing (Retired on 31 May 2017)	1
Chen Youfang (Resigned on 31 May 2017)	1
Hui Lai Yam	5

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2017 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group for the year ended 31 December 2017 falls within the following band:

	Number of individuals
RMB0 to RMB833,000	3

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 RMB500,000 and the fees for non-audit services of the Group amounted to approximately RMB40,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors knowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. The statements of the external auditors of the Group, Pan-China (H.K.) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Report of Auditor on pages 38 to 44 of this annual report.

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

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. Such an internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. For the Year, the Board has conducted a review on the effectiveness of the Group's internal control and risk management systems which covers financial, operational, compliance procedural and risk management functions and have considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

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

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

AUDITORS

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

Convening of Extraordinary General Meeting on Requisition by Shareholders

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

Proposals at general meetings

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

Inquiry to the Board

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

Address:	Room 1407, Global Financial Center, No.1 East Third Ring Road, Beijing
Tel.:	+86-10-8283 9850
Fax:	+852-3020 0233
Email:	general.office@baytacare.com

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, save as passed the amendment by the EGM of the Company dated January 16, 2017, there had been no significant changes in the constitutional documents of the Company.

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 2017.

LOOKING FORWARD

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

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Baytacare Pharmaceutical Co., Ltd. (formerly known as Northeast Tiger Pharmaceutical Co., Ltd.) and its subsidiaries ("the Group") set out on pages 45 to 101, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matter	How the matter addressed in our audit
Biological assets	
As disclosed in note 20 to the consolidated financial statements, the Group had biological assets of RMB27,229,000 as at 31 December 2017. The management of the Company engaged an independent valuer to assess the fair value of the biological assets as at 31 December 2017. The independent valuer had also engaged an expert to determine the quantity and age of the biological assets.	1. We discussed with the management of the Company, the independent valuer engaged by the Group ("Group's valuer") and ginseng expert engaged by the Group's valuer ("Ginseng expert") the valuation methodology, bases and assumptions used in determining the quantity, age of the biological assets and the fair value of the assets.

Key Audit Matter	How the matter addressed in our audit
The significant assumptions in the valuation include the estimated quantities, age and the related market prices of biological assets applied. Due to high level of judgement involved as well as the significance of the assets to the Group's consolidated statement of financial position, this was considered to be a key audit matter.	2. We had assessed the reasonableness and appropriateness of the adopted methodology, bases and assumptions used. In respect of: – quantity and age, we attended the physical count of biological assets to observe how management of the Group, the Group's valuer and Ginseng expert involved in determination of the results. We also checked the objectivity, competence and capability of the Group's valuer and Ginseng expert. – market price, we checked on a sampling basis in the local ginseng market accompanied with the Group's valuer and Ginseng expert. 3. We also engaged an external independent valuation specialist to assist us in evaluating the reasonableness and appropriateness of the valuation performed by the Group's valuer and Ginseng expert.
Impairment of intangible asset – Breeding right As disclosed in note 15 to the consolidated financial statements, the Group holds breeding right of RMB6,350,000 as at 31 December 2017. During the year, the management of the Company engaged an independent expert team and independent valuer to formulate a development plan of breeding Chinese herbs with the breeding right and to determine the recoverable amount of the breeding right as at 31 December 2017 respectively. The recoverable amount of the breeding right is determined based on value in use basis, which is based on the discounted cash flows expected to be derived from the breeding right, taking into account the appropriate discount rate. The key assumptions applied in the value in use calculation, such as estimated Chinese herbs selling price, future sales volume, plantation and harvest cost estimates, future yield and discount rates. Due to high level of judgement involved as well as the significance of the assets to the Group's statement of financial position, this was considered to be a key audit matter.	1. We discussed with the management of the Company, the independent professional valuer engaged by the Group ("the Group's valuer") the valuation methodology, bases and assumptions used in determining the recoverable amount of the breeding right. 2. We checked the objectivity, competence and capability of the valuer and the expert team. 3. We assessed methodology, bases and assumptions used in arriving at the recoverable amount of the breeding right. 4. We checked with the comparable data either from internal or external sources, on a sampling basis, the relevance and reasonableness of the estimated selling price of the Chinese herbs, future sales volume, plantation and harvest costs estimates, future yield and discount rates. 5. We assessed the reasonableness of the timelines for plantation and harvest schedules. 6. We engaged an independent external valuation specialist to assist us in evaluating the reasonableness and appropriateness of the valuation performed by the management of the Group and the Group's valuer.

Key Audit Matter	How the matter addressed in our audit
Valuation of investment properties	
As disclosed in note 18 to the consolidated financial statements, the Group reclassified all of its prepaid land lease and buildings to investment properties during the year and the carrying amount of investment properties held by the Group as at 31 December 2017 was RMB69,699,000. The management of the Company engaged an independent valuer in assisting the management to determine the fair value of the investment properties at the date of reclassification and as at 31 December 2017, with a fair value gain of RMB25,058,000 recognised in other comprehensive income for the year ended 31 December 2017. A combination of the market and depreciated replacement cost approaches was adopted in the valuation of investment properties. In determining their fair value, the management and independent professional valuer take into account certain key unobservable inputs including unit replacement cost, building residue rates and leasehold improvement residue rates and adjustment to location of the properties that require significant management judgement. Due to high level of judgement involved as well as the significance of the assets to the Group's statement of financial position, this was considered to be a key audit matter.	1. We discussed with the management of the Company, the independent professional valuer engaged by the Group ("the Group's valuer") the valuation methodology, bases and assumptions used in determining the fair value of the Group's investment properties. 2. We checked the objectivity, competence and capability of the valuer. 3. We assessed the reasonableness and appropriateness of the adopted methodology, bases and key assumptions used in arriving at the fair value of investment properties. 4. We engaged an independent external valuation specialist to assist us in evaluating the reasonableness and appropriateness of the valuation performed by the management of the Group and the Group's valuer.
Impairment assessment of Fu Man Shan Zhen receivables	
As at 31 December 2017, the Group had receivables from Fu Man Shan Zhen with the aggregate carrying amount of approximately RMB31,018,000 before impairment. Details were disclosed in note 22 to the consolidated financial statements. As explained in note 22 to the consolidated financial statements, Fu Man Shan Zhen had defaulted to repay an instalment of RMB5,000,000 as scheduled to be paid on or before 31 December 2017. Due to high level of judgement involved as well as the significant of the assets to the Group's consolidated statement of financial position, the recoverability of the carrying amount of the receivables was considered to be a key audit matter.	1. We discussed with the management of the Company regarding their assessment of the credit standing of Fu Man Shan Zhen and the recoverability of the carrying amount of the receivables. We sought supporting bases from management about their assessment of the extent of the impairment loss on Fu Man Shan Zhen Receivables. 2. As a result of our analysis with and challenging of management concerning the recoverability of the receivables, the management of the Company made the final conclusion that the reoverability was remote and full impairment loss of RMB31,018,000 was recognized for the year ended 31 December 2017. 3. We assessed the reasonableness and appropriateness of the final conclusion of full impairment made by the management of the Company based on the specific facts and circumstances applicable to Fu Man Shan Zhen Receivables.

Key Audit Matter	How the matter addressed in our audit
Impairment assessment of deposit paid for the acquisition of Beidou School Bus and System As disclosed in note 19 to the consolidated financial statements, the Group had deposit paid for the acquisition of Beidou School Bus and System of RMB34,500,000 as at 31 December 2017. The impairment assessment of the deposit paid required significant judgement in respect of the counterparty's ability to deliver the Beidou School Bus and System. Due to high level of judgement involved as well as the significance of the assets to the Group's consolidated statement of financial position, this was considered to be a key audit matter.	1. We obtained and reviewed the major terms of the acquisition agreement, including the contracted amount, payment schedule, expiry date etc. 2. We obtained direct confirmation of the balance of the deposit paid at the end of the reporting period and the major terms of the acquisition agreement. 3. We assessed the ability of the contracted party to fulfill the obligations as specified in the acquisition agreement. 4. We performed background search on the counterparties to identify any impairment indicators on the deposit paid.
Impairment assessment of trade deposit As at 31 December 2017, the Group had deposit paid for purchase of chinese herbs of RMB20,000,000 before impairment. Details were disclosed in note 22 to the consolidated financial statements. As explained in note 22 to consolidated financial statements, the supplier had failed to delivery the chinses herbs and to repay the trade deposit of RMB20,000,000 as agreed on or before 15 March 2018. Due to high level of judgement involved as well as the significant of the assets to the Group's consolidated statement of financial position, the recoverability of the trade deposit paid was concluded to be a key audit matter.	1. We discussed with the management of the Company regarding their assessment of the credit standing of trade supplier and the recoverability of the trade deposit paid. We sought supporting bases from management about their assessment of the extent of the impairment loss on trade deposit paid. 2. As a result of our analysis with and challenging of management concerning the recoverability of the trade deposit paid, the management of the Company made the final conclusion that the recoverability was remote and impairment loss of RMB20,000,000 was recognized for the year ended 31 December 2017. 3. We assessed the reasonableness and appropriateness of the final conclusion of full impairment made by the management of the Company based on the specific facts and circumstances applicable to trade deposit paid.

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

Tsang Chiu Keung
Practising Certificate Number P04968

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

29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

AS AT 31 DECEMBER 2017

	Notes	**2017 RMB'000**	2016 RMB'000
Revenue	6	**17,080**	29,480
Cost of sales		**(16,217)**	(20,270)
Gross profit		**863**	9,210
Other income	6	**5,670**	9,733
Gain arising from changes of fair value less costs to sell of biological assets	20	**1,784**	1,300
Gain arising from changes of fair value of investment properties		**7**	–
Impairment loss of intangible assets	15	**–**	(4,550)
Impairment loss of trade receivables	22	**(15,473)**	–
Impairment loss of other receivables	22	**(20,000)**	–
Impairment loss of Fu Man Shan Zhen Receivable	22	**(31,018)**	–
General, administrative and operating expenses		**(29,627)**	(14,760)
Finance costs	7	**(626)**	(804)
(Loss)/profit before income tax expense	8	**(88,420)**	129
Income tax expense	9	**–**	–
(Loss)/profit for the year		**(88,420)**	129
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
– Surplus on revaluation of buildings held for own use		**–**	4,190
– Surplus on properties transferred from property, plant and equipment and land use rights to investment properties		**25,058**	–
– Deferred tax charge on revaluation properties transferred from property, plant and equipment and land use rights to investment properties		**(14,533)**	–
Other comprehensive income for the year		**10,525**	4,190
Total comprehensive (expense)/income for the year		**(77,895)**	4,319
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(73,596)**	255
– Non-controlling interests		**(14,824)**	(126)
		(88,420)	129
Total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		**(63,071)**	4,445
– Non-controlling interests		**(14,824)**	(126)
		(77,895)	4,319
Dividends	10	**–**	–
(Loss)/earnings per share	11		
Basic		**(8.58) cents**	0.03 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 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-Current Assets			
Intangible assets	15	**6,606**	7,005
Land use rights	16	**–**	8,872
Property, plant and equipment	17	**1,732**	38,991
Investment properties	18	**69,699**	–
Deposit paid for acquisition of property, plant and equipment	19	**35,487**	–
Trade and other receivables – Non-current portion	22	**–**	21,796
		113,524	76,664
Current Assets			
Biological assets	20	**27,229**	26,278
Inventories	21	**–**	2,657
Trade and other receivables – current portion	22	**16,234**	49,660
Cash and bank balances	23	**919**	61,702
		44,382	140,297
Total Assets		**157,906**	216,961
Less: Current Liabilities			
Trade and other payables	24	**10,558**	6,251
		10,558	6,251
Net Current Assets		**33,824**	134,046
Non-Current Liabilities			
Long-term borrowings	25	**22,500**	22,500
Deferred tax liabilities	26	**14,533**	–
		37,033	22,500
Net Assets		**110,315**	188,210
Capital and Reserves			
Share capital	27	**85,805**	85,805
Reserves		**31,460**	94,531
Total Equity Attributable to Owners of the Company		**117,265**	180,336
Non-controlling interests		**(6,950)**	7,874
Total Equity		**110,315**	188,210

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 29 March 2018 and signed on behalf of the Board by:

Wang Shao Yan
Director

Cui Bing Yan
Director

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

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to Owners of the Company								
	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	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
As at 1 January 2016	74,665	19,027	11,326	3,744	9,685	(37,287)	81,160	–	81,160
Profit/(loss) for the year	–	–	–	–	–	255	255	(126)	129
Other comprehensive income for the year	–	–	–	4,190	–	–	4,190	–	4,190
Total comprehensive income/(expense) for the year	–	–	–	4,190	–	255	4,445	(126)	4,319
Issue of domestic shares under shares placing	7,000	55,034	–	–	–	–	62,034	–	62,034
Issue of H shares under shares placing	4,140	28,557	–	–	–	–	32,697	–	32,697
Capital injection to a subsidiary	–	–	–	–	–	–	–	8,000	8,000
As at 31 December 2016 and at 1 January 2017	85,805	102,618	11,326	7,934	9,685	(37,032)	180,336	7,874	188,210
Loss for the year	–	–	–	–	–	(73,596)	(73,596)	(14,824)	(88,420)
Other comprehensive income for the year	–	–	–	10,525	–	–	10,525	–	10,525
Total comprehensive income/(expense) for the year	–	–	–	10,525	–	(73,596)	(63,071)	(14,824)	(77,895)
As at 31 December 2017	85,805	102,618	11,326	18,459	9,685	(110,628)	117,265	(6,950)	110,315

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax expense	(88,420)	129
Depreciation of property, plant and equipment	1,456	1,924
Amortisation of intangible assets	470	743
Amortisation of land use rights	144	246
Interest on long-term borrowings	626	804
Gain on change in fair value of investment properties	(7)	–
Gain on change in fair value less costs to sell of biological assets	(1,784)	(1,300)
Disposal of property, plant and equipment	320	–
Impairment losses of intangible assets	–	4,550
Impairment loss of Fu Man Shan Zhen Receivables	31,018	–
Impairment loss of trade receivables	15,473	–
Impairment loss of other receivables	20,000	–
Written back of trade payables	–	(3,488)
Imputed interest income	(4,517)	(4,480)
Other interest income	(181)	–
Bank interest income	(20)	(15)
Operating loss before movements in working capital	(25,422)	(887)
Decrease/(increase) in inventories	2,657	(2,657)
Decrease in biological assets	832	–
Increase in trade and other receivables	(1,865)	(43,764)
Increase in trade and other payables	4,307	3,220
NET CASH USED IN OPERATING ACTIVITIES	(19,491)	(44,088)
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	20	15
Deposit paid for acquisition of property, plant and equipment	(35,487)	–
Acquisition of property, plant and equipment	(423)	(1,533)
Acquisition of intangible assets	(71)	(166)
Advance to a third party	(5,000)	–
Refund of Fu Man Shan Zhen Receivable	295	4,260
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(40,666)	2,576
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	94,731
Capital injection to a subsidiary by non-controlling interests	–	8,000
Interest on long-term borrowings	(626)	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(626)	102,731
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(60,783)	61,219
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	61,702	483
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	919	61,702
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	919	61,702

1. CORPORATE INFORMATION

Baytacare Pharmaceutical Co., Ltd. (formerly known as 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 31 to the consolidated financial statements.

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

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

In the current year, the Group has applied for the first time the following amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle

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

(a) The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The application of the amendments does not have any material effect on the consolidated financial statements.

(b) The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

(c) Annual improvements to HKFRSs (2014 - 2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities.

The Group has not early applied the following new and revised HKFRSs, amendments to HKFRSs and new interpretations ("new and revised HKFRSs") that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15 and HKFRS 15 (Amendments)	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HKFRS (Amendments)	Annual Improvements to HKFRS Standards 2014-2016 Cycle[4]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective date have not yet been determined.
[4] For those amendments that will become effective for annual periods beginning on or after 1 January 2018.
[5] Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments 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 each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the 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 that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 December 2018.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the "solely payment of principal and interest" test.

The directors of the Company do not expect the new guidance of HKFRS 9 to have a significant impact on the classification and measurement of its financial assets, except for the new expected credit loss impairment model in HKFRS 9, which may result in the earlier recognition of impairment losses on the Group's receivables.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 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, the Group will recognise revenue when 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.

HKFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition. Please refer to HKFRS 15 for details.

The directors of the Company assessed that the application of HKFRS 15 in the future will not have a material impact in the Group's consolidated financial statements.

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

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

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

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB12,351,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior year.

HKFRS 17 Insurance Contracts and amendments to HKFRS 4 Insurance Contracts
HKFRS 17 and amendments to HKFRS 4 are not applicable to the Group as the Group is not engaged in insurance business.

HKFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions
The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

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

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

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

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

HKAS 40 (Amendments) Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasize that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

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

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

The directors of the Group do not anticipate that the application of the Interpretation will have a material impact on the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except that investment properties are measured at their fair values 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.

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

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

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

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

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

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

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

(d) Foreign currency translation

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

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

(e) Property, plant and equipment

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

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

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

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

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

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

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

(f) Investment properties

Properties that are held for long-term rental income and/or for capital appreciation, and that is not occupied by the Group, are classified as investment properties.

Investment properties are measured initially at its cost, including related transaction costs. Subsequent to initial recognition, investment property is measured at fair value Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

(g) 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 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 recongised 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 derecongised 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 recongised in profit or loss when the asset is derecognised.

(h) 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.

(i) Biological assets

The Group's biological assets represent underground ginsengs as set out in note 20 to the consolidated financial statements. Those biological assets that do not meet the definition of bearer plants in accordance with HKAS 16 but are within the scope of HKAS 41 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 and growing condition 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.

(j) 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.

(k) 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.

(l) 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 that are not measured at fair value through profit or loss at the end of subsequent anniversary periods 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 represent 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.

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.

(m) 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.

(n) Revenue recognition

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

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

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

Service income is recognized when the service is rendered.

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

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

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

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) Events after reporting period

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

4. CRITICAL ACCOUNTING 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.

(i) Classification between investment properties and owner-occupied properties

In determining whether a property qualifies as an investment property, the Group has developed criteria in making that judgement with reference to HKAS 40 "Investment Property". The Group considers whether a property generates cash flows largely independently of the other assets held by the Group and whether ancillary services are so significant that a property does not qualify as an investment property.

During the year, the Group has entered into long-term leases to lease out certain properties to its tenant without any ancillary services and continued to seek opportunity to lease out the remaining properties. Due to the change in use of the properties, the Group transferred all of its buildings and land use rights to investment properties.

(ii) *Deferred taxation on investment properties*

For the purposes of measuring deferred taxation liabilities or deferred taxation assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties taking into account the Land Appreciation Tax ("LAT") and Enterprise Income Tax payable upon sales of those investment properties in the PRC.

(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 2017, the carrying amount of property, plant and equipment was approximately RMB1,732,000 (2016: RMB38,991,000).

(ii) *Impairment of receivables*

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

As at 31 December 2017, the carrying amount of trade receivables, net of provision for impairment, was approximately RMB1,067,000 (2016: RMB9,016,000) and the carrying amount of Fu Man Shan Zhen receivable and other receivables were Nil (2016: RMB26,796,000) and RMB6,406,000 (2016: RMB504,000) respectively.

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

As at 31 December 2017, the carrying amount of biological assets was approximately RMB27,229,000 (2016: RMB26,278,000).

(iv) *Valuation of investment properties*
Investment properties were stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain assumptions and estimates of market condition. In relying on the valuation report, the directors of the Company work closely with qualified external valuer and have exercised their judgement and are satisfied that the assumptions used in the valuation are reasonable and supportable. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in profit or loss.

As at 31 December 2017, the carrying amount of investment properties was approximately RMB69,699,000 (2016: Nil).

(v) *Income tax and deferred tax*
Significant estimation and judgement were required in determining the amount of the provision for tax and the timing of payment of the related taxes. There were transactions and calculations for which the ultimate tax determination was uncertain during the ordinary course of business. As detailed in the Group's accounting policies, deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

As at 31 December 2017, the carrying amount of deferred tax liabilities was approximately RMB14,533,000 (2016: Nil).

(vi) *Impairment on non-financial assets*
As at 31 December 2017, the carrying amount of non-financial assets was approximately RMB113,524,000 (2016: RMB54,868,000) that comprised of property, plant and equipment, investment properties, deposit paid for acquisition of property, plant and equipment and intangible assets (2016: property, plant and equipment, land use rights and intangible assets). Determining whether non-financial assets are impaired requires an estimation of the recoverable amounts which are the higher of the value in use or the fair value less costs of disposal of the cash generating unit ("CGU") to which non-financial assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or the fair value less costs of disposal of the non-financial assets are less than expected, a material impairment loss may arise.

As explained in note 15 to the consolidated financial statements, in respect of the Group's breeding right, no impairment loss (2016: an impairment loss of RMB4,550,000) was recognised in the consolidated profit or loss for the year ended 31 December 2017.

5. SEGMENT INFORMATION

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

(i) Development, manufacture and sale of medicines ("Medicines business");
(ii) Planting, cultivation and sale of Chinese herbs ("Chinese herbs business");
(iii) Trading of Chinese herbs and condiments ("Trading business"); and
(iv) Development of civilian use of Beidou big data and health related big data – health care management, safety school bus monitoring and financial internet platform service (Big data business).

There was no change in segments from 2016.

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 reprtable segments.

(a) Segment results, assets and liabilities

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

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

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

Segment assets include all tangible assets, intangible assets and current assets with the exception of intercompany receivables and other corporate assets.

Segment liabilities include trade and other payables, 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 2017 and 2016 is set out below:

	Medicine business		Chinese herbs business		Trading business		Big data business		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
RESULTS										
Reportable revenue from external customers	**-**	1	**946**	–	**16,134**	20,988	**-**	8,491	**17,080**	29,480
Reportable segment (loss)/profit	**(1,935)**	(1,680)	**(25,502)**	312	**(37,060)**	(315)	**(7,256)**	7,933	**(71,753)**	6,250
Unallocated corporate other income									**12**	–
Unallocated corporate expense									**(16,678)**	(6,121)
(Loss)/profit before income tax									**(88,419)**	129
Income tax expense									**-**	–
(Loss)/profit for the year									**(88,419)**	129
ASSETS										
Reportable segment assets	**72,780**	48,868	**33,584**	59,870	**4,223**	41,508	**46,343**	9,000	**156,930**	159,246
Unallocated corporate assets									**976**	57,715
Total assets									**157,906**	26,961
LIABILITIES										
Reportable segment liabilities	**38,930**	25,403	**180**	180	**5,767**	1,823	**994**	495	**45,871**	27,901
Unallocated corporate liabilities								–	**1,720**	850
Total liabilities									**47,591**	28,751
OTHER SEGMENT INFORMATION										
Interest income	**-**	11	**-**	–	**4**	4	**16**	–	**20**	15
Interest expenses	**(626)**	(804)	**-**	–	**-**	–	**-**	–	**(626)**	(804)
Depreciation and amortization	**(1,340)**	(2,082)	**(440)**	(736)	**(290)**	(95)	**-**	–	**(2,070)**	(2,913)
Impairment loss of trade receivables	**-**	–	**-**	–	**(15,473)**	–	**-**	–	**(15,473)**	–
Written back of trade payable	**-**	3,488	**-**	–	**-**	–	**-**	–	**-**	3,488
Gain arising form change of fair value less costs to sell of biological assets	**-**	–	**1,784**	1,300	**-**	–	**-**	–	**1,784**	1,300
Gain arising form changes in fair value of investment properties	**7**	–	**-**	–	**-**	–	**-**	–	**7**	–
Rental income	**952**	967	**-**	–	**-**	–	**-**	–	**952**	967
Impairment loss on intangible assets	**-**	–	**-**	(4,550)	**-**	–	**-**	–	**-**	(4,550)
Impairment loss of Fu Man Shanzhen receivables	**-**	–	**(31,018)**	–	**-**	–	**-**	–	**(31,018)**	–
Income tax expenses	**-**	–	**-**	–	**-**	–	**-**	–	**-**	-
Additions to non-current segment assets during the year	**-**	–	**-**	–	**-**	1,488	**35,982**	251	**35,982**	1,699

There were no inter-segment sales in the current year (2016: Nil).

(b) Revenue from major products

	2017 RMB'000	2016 RMB'000
Medicine	**–**	1
Chinese herbs	**15,293**	–
Condiments	**1,787**	20,988
Big data services	**–**	8,491
	17,080	29,480

(c) Geographical information

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

(d) Information about major customers

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

	External customer			
	Number		**Revenue**	
	2017	2016	**2017 RMB'000**	2016 RMB'000
Trading business	**1**	1	**14,347**	20,988
Trading business	**1**	–	**1,787**	–
Big data business	**–**	1	**–**	8,491

6. REVENUE AND OTHER INCOME

	2017 RMB'000	2016 RMB'000
Revenue:		
Sales of goods	**17,080**	20,989
Rendering of service	**–**	8,491
	17,080	29,480
Other income:		
Imputed interest income (Note)	**4,517**	4,480
Interest income from bank deposits	**20**	15
Other interest income	**181**	–
Written back of trade payables	**–**	3,488
Rental income	**952**	967
Exchange gain – net	**–**	783
	5,670	9,733
Total revenue and other income	**22,750**	39,213

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

Revenue represents the 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 11% to 13% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases ("input VAT").

Moreover, 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

	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowing (Note)	**626**	804

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

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2017 RMB'000	2016 RMB'000
Auditor's remuneration		
– Audit services	**500**	400
– Other services	**40**	140
Amortisation of land use rights	**144**	246
Amortisation of intangible assets	**470**	743
Cost of inventories sold	**15,197**	19,747
Depreciation of property, plant and equipment	**1,456**	1,924
Loss on disposal of property, plant and equipment	**320**	–
Operating leases rental	**4,434**	226
Staff costs		
– Staff salaries and wages	**4,684**	2,327
– Provision for staff and workers' bonus and welfare fund	**1,166**	500
– Contributions to defined contribution retirement scheme	**743**	362

9. INCOME TAX EXPENSE

The income tax expense represents:

	2017 RMB'000	2016 RMB'000
Current tax		
– PRC enterprise income tax ("PRC EIT")	**–**	–
Deferred tax (Note 26)	**–**	–

The Company and its subsidiaries are subject to PRC EIT at the rate of 25% (2016: 25%).

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

No provision for EIT has been made as the Company and the Company's subsidiaries has no taxable profits for the year (2016: Nil).

Reconciliation between (loss)/profit before income tax expense and income tax expense at the applicable tax rate of 25% (2016: 25%) is as follows:

	2017 RMB'000	2016 RMB'000
(Loss)/profit before income tax expense	**(88,420)**	129
Expected income tax thereon at applicable income tax rate	**(22,105)**	32
Tax effect of non-taxable income	**(1,577)**	(1,445)
Tax effect of non-deductible expense	**16,673**	1,137
Tax effect of tax losses not recognised	**7,009**	309
Tax effect of utilisation of tax losses previously not recognised	**–**	(33)
Income tax expense for the year	**–**	–

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the following data:

	2017 RMB'000	2016 RMB'000
(Loss)/profit for the year attributable to owners of the Company	**(73,596)**	255

Weighted average number of ordinary shares	**2017**	2016
Issued ordinary shares at 1 January	**858,054,240**	746,654,240
Effect of ordinary shares issued	**–**	21,404,918
	858,054,240	768,059,158

(b) Diluted loss/earning per share

No diluted loss/earnings per share is presented as there was no potential ordinary shares in issue for each of the years ended 31 December 2016 and 2017.

12. EMPLOYEE BENEFITS

(a) Retirement scheme

Hong Kong

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

PRC

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

The Group and each employee are required to make monthly contributions to the retirement scheme at a rate specified by the local government ranging from 13% to 20% (2016: 20%) and 8% (2016: 8%) respectively based on the eligible employees' monthly salaries.

(b) Housing fund

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

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

	2017 **RMB'000**	2016 RMB'000
Fees	**24**	24
Other emoluments:		
Salaries, allowances and other benefits	**837**	1,166
Retirement scheme contributions	**225**	105
	1,086	1,295

The emoluments of every director and supervisor for the year ended 31 December 2017 are set out below:

	Fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total emoluments RMB'000
2017					
Executive directors:					
Wang Shaoyyan	-	420	-	126	546
Cui Bingyan	-	388	-	91	479
Qin Haibo (Note a)	-	29	-	8	37
Jiang Xiaobin (Note b)	-	-	-	-	-
Non-executive directors:					
Guo Aiqun (Note c)	-	-	-	-	-
Cao Yang	-	-	-	-	-
Shi Peng (Note d)	-	-	-	-	-
Independent non-executive directors:					
Zhao Zhen Xing (Note e)	-	-	-	-	-
Hui Lai Yam	5	-	-	-	5
Chen Youfang (Note f)	-	-	-	-	-
Gao Zhikai (Note g)	5	-	-	-	5
Yang Yulin (Note g)	5	-	-		5
Supervisors:					
Meng Shuhua (Note h)	-	-	-	-	-
Yang Lixue	3	-	-	-	3
Lin Xiarong	3	-	-	-	3
Han Xue (Note i)	3	-	-	-	3
	24	837	-	225	1,086

Notes:

(a) Mr. Qin Haibo retired as an executive director of the Company on 31 May 2017.
(b) Mr. Jiang Xiaobin was appointed as an executive director of the Company on 31 May 2017.
(c) Ms. Guo Aiqun resigned as a non-executive director of the Company on 31 May 2017.
(d) Mr. Shi Peng was appointed as a non-executive director of the Company on 31 May 2017.
(e) Mr. Zhao Zhen Xing retired as an independent non-executive director of the Company on 31 May 2017.
(f) Mr. Chen Youfang resigned as an independent non-executive director of the Company on 31 May 2017.
(g) Mr. Gao Zhikai and Mr. Yang Yulin were appointed as independent non-executive directors of the Company on 31 May 2017.
(h) Ms. Meng Shuhua retired as a supervisor of the Company on 31 May 2017.
(i) Ms. Han Xue was appointed as a supervisor of the Company on 31 May 2017.

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

	Fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total emoluments RMB'000
2016					
Executive directors:					
Wang Shaoyyan (Note j)	–	635	–	59	694
Cui Bingyan (Note j)		470		40	510
Guo Feng (Note k)	–	–	–	–	–
Qin Haibo	–	58	–	6	64
Xu Dongmei (Note k)	–	3	–	–	3
Non-executive directors:					
Guo Aiqun (Note l)	–	–	–	–	–
Zhang Jinlong (Note m)	–	–	–	–	–
Cao Yang (Note n)	–	–	–	–	–
Independent non-executive directors:					
Niu Shu Min (Note o)	–	–	–	–	–
Zhao Zhen Xing	5	–	–	–	5
Hui Lai Yam	5	–	–	–	5
Chen Youfang (Note p)	5	–	–	–	5
Supervisors:					
Zhang Ya Bin (Note q)	–	–	–	–	–
Chen Lin Bo (Note r)	–	–	–	–	–
Meng Shuhua	3	–	–	–	3
Yang Lixue (Note s)	3	–	–	–	3
Lin Xiarong (Note t)	3	–	–	–	3
	24	1,166	–	105	1,295

Notes:

(j) Mr. Wang Shaoyan and Ms. Cui Bingyan were appointed as an executive director of the Company on 10 January 2016.
(k) Ms. Guo Feng and Ms. Xu Dongmei resigned as an executive director of the Company on 10 January 2016.
(l) Ms. Guo Aiqun was appointed as a non-executive director of the Company on 10 January 2016.
(m) Mr. Zhang Jinlong was appointed as a non-executive director of the Company on 10 January 2016 and resigned on 13 April 2016.
(n) Mr. Cao Yang was appointed as a non-executive director of the Company on 13 April 2016.
(o) Ms. Niu Shu Min resigned as an independent non-executive director of the Company on 10 January 2016.
(p) Mr. Chen Youfang was appointed as an independent non-executive director of the Company on 10 January 2016.
(q) Mr. Zhang Yan Bin resigned as a supervisor on 10 January 2016.
(r) Mr. Chen Lin Bo resigned as a supervisor on 10 January 2016.
(s) Ms. Yang Lixue was appointed as a supervisor as 10 January 2016.
(t) Ms. Lin Xiarong was appointed as supervisor on 10 January 2016.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: 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 2017 (2016: Nil).

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those person's other services in connection with the management of the affairs of the Company and its subsidiaries.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2016: two) are directors whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and other benefits	**1,160**	616
Retirement scheme contributions	**150**	81
	1,310	697

The emoluments of each of the five highest paid individuals, including a director, were within the band of nil to RMB833,000 (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 2017 (2016: Nil).

15. INTANGIBLE ASSETS

	Breeding rights (Note a) RMB'000	**Computer software** RMB'000	**Total** RMB'000
At cost			
As at 1 January 2016	13,240	289	13,529
Additions	–	166	166
As at 31 December 2016 and 1 January 2017	13,240	455	13,695
Additions	–	71	71
As at 31 December 2017	13,240	526	13,766
Accumulated amortization and impairment losses:			
As at 1 January 2016	1,164	233	1,397
Charge for the year	736	7	743
Impairment loss (Note d)	4,550	–	4,550
As at 31 December 2016 and at 1 January 2017	6,450	240	6,690
Charge for the year	440	30	470
As at 31 December 2017	6,890	270	7,160
Net carrying amount:			
As at 31 December 2017	6,350	256	6,606
As at 31 December 2016	6,790	215	7,005

Notes:

(a) Pursuant to the Settlement Agreement between the Group and Fu Man Shan Zhen Co., Ltd., the Group was allowed to use the Forest Land located in Antao County, Jilin Province for agricultural and animal breeding purposes at nil consideration for 18 years commencing from the date of the settlement so that the Group can continue its business of breeding and processing of traditional Chinese medicine, i.e. the Breeding Rights. The remaining amortization period of the Breeding Rights as at 31 December 2017 is approximately 14 (2016: 15) years. During the year ended 31 December 2017, the management of the Group engaged an independent expert team to formulate a development plan of Forest Land for Chinese herbs breeding, including selection of Chinese herbs, plantation area, breeding and harvest period and costs, yield, sales volume and prices. The Breeding Rights belong to Chinese herbs segment of the Group.

(b) As at 31 December 2017 and 2016, no intangible assets were pledged as security for liabilities and there were no restrictions on intangible assets' title.

(c) Impairment assessment for the year ended 31 December 2017
During the year, the management of the Group prepared their development plans for the Breeding Rights. The recoverable amount of the Breeding Rights was determined by the management of the Group based on value in use calculation with reference to a professional valuation report issued by BDO Financial Services Limited. That calculation was determined based on the financial budgets approved by the directors of the Company covering a 5-year period and a pre-tax discount rate of 29.28%. The recoverable amount of the Breeding Rights is based on certain key assumptions, including estimated selling price, future sales volume, planation and harvest cost estimates and future yield.

At the end of the reporting period, the recoverable amount of the Breeding Rights exceeds its carrying amount and no impairment loss is considered necessary.

(d) Impairment assessment for the year ended 31 December 2016
During the year 2016, the management of the Group had been changed and the new management has not yet completed the formulation of development plan of Forest Land. The management of the Group conducted a review of the recoverable amount of the Breeding rights in light of its limited life and the progress of planning for the development of the Breeding Rights. The recoverable amount of the Breeding Rights has been determined based on the fair value less costs of disposal calculation using market comparison approach with reference to prices information on a comparable forest land.

At the end of the reporting period, the recoverable amount of the Breeding Rights was below with its carrying amount and accordingly, impairment loss of approximately RMB4,550,000 was recognized in the profit or loss for the year.

(e) Fair value measurement of Breeding Rights
The recoverable amount of Breeding Rights was measured at its fair value less costs of disposal as at 31 December 2016.

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

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

(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 market prices information of comparable forest land of similar character and location and adjusted for the respective advantages and disadvantages of forest land.

16. LAND USE RIGHTS

	RMB'000
At cost:	
As at 1 January 2016, 31 December 2016 and 1 January 2017	12,323
Transfer to investment properties	(12,323)
As at 31 December 2017	–
Accumulated amortization:	
As at 1 January 2016	3,205
Amortisation for the year	246
As at 31 December 2016 and 1 January 2017	3,451
Amortisation for the year	144
Revaluation surplus	(27,557)
Transfer to investment properties (Note 18)	23,962
As at 31 December 2017	–
Net carrying amount:	
As at 31 December 2017	–
As at 31 December 2016	8,872

Notes:

(a) The land use rights of the Group are held on medium term leases and situated in the PRC.

(b) During the year ended 31 December 2017 and 2016, no land use rights were pledged as security.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
At cost or valuation:						
As at 1 January 2016	53,963	555	12,572	653	3,245	70,988
Additions	–	–	–	1,420	113	1,533
As at 31 December 2016 and at 1 January 2017	53,963	555	12,572	2,073	3,358	72,521
Additions	–	–	–	–	423	423
Disposal	–	–	–	–	(348)	(348)
Transfer to investment properties (Note 18)	(53,963)	(555)	–	–	–	(54,518)
As at 31 December 2017	–	–	12,572	2,073	3,433	18,078
Accumulated depreciation and impairment losses:						
As at 1 January 2016	19,682	229	12,194	577	3,114	35,796
Charge for the year	1,671	111	–	133	9	1,924
Eliminated on revaluation (Note a)	(4,190)	–	–	–	–	(4,190)
As at 31 December 2016 and at 1 January 2017	17,163	340	12,194	710	3,123	33,530
Charge for the year	1,044	65	–	284	63	1,456
Written back on disposal	–	–	–	–	(28)	(28)
Revaluation deficit	2,499	–	–	–	–	2,499
Transfer to investment properties (Note 18)	(20,706)	(405)	–	–	–	(21,111)
As at 31 December 2017	–	–	12,194	994	3,158	16,346
Net carrying amount:						
As at 31 December 2017	–	–	378	1,079	275	1,732
As at 31 December 2016	36,800	215	378	1,363	235	38,991

Notes:

(a) On 28 November 2016, the Company entered into an asset transfer agreement (the "Agreement") with an independent third party, pursuant to which the Company agreed to sell certain of its non-current assets at a total consideration of RMB48,800,000, (in which buildings amounting to RMB36,800,000 as specified in the Agreement). The Agreement was subsequently appoved by the shareholders on 16 January 2017. The fair value of the buildings as at 31 December 2016 was measured with reference to the consideration of RMB36,800,000. The surplus arising from revaluation of approximately RMB4,190,000 has been credited to properties revaluation reserve during the year.

(b) During the year ended 31 December 2017 and 2016, no buildings were pledged as a security.

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

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

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

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the year ended 31 December 2017 and 31 December 2016. 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) The movements during the year in the balance of the level 3 fair value measurement are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**–**	34,281
Depreciation charge for the year	**–**	(1,671)
Reversal of impairment loss	**–**	–
Surplus on revaluation	**–**	4,190
Transfer out	**–**	(36,800)
At 31 December	**–**	–

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

	2017 RMB'000	2016 RMB'000
Buildings	**–**	32,461

18. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
At fair value:		
As at 1 January	**–**	–
Transfer from property, plant and equipment	**33,407**	–
Transfer from land use rights	**36,285**	–
Gain arising from change in fair value	**7**	–
As at 31 December	**69,699**	–

Notes:

(a) During the year, the Group reclassified the land use rights and buildings and related leasehold improvements which previously classified as property, plant and equipment and land use rights with the carrying amount of RMB36,285,000, RMB33,257,000 and RMB150,000 respectively to investment properties due to the fact that the usage of such properties had been changed to earn long-term rentals or capital appreciation. Accordingly, the revaluation surplus of the buildings and land use rights at the date of transfer of RMB25,058,000 was recognized as other comprehensive income.

(b) Valuation process of investment properties
The Group's investment properties were appraised by Beijing Hwasion Conord Assets Appraisals Limited, an independent professional valuer not connected to the Group, which hold recognized relevant professional qualifications and have recent experience in the location and segment of the investment properties valued.

The directors and the chief financial officer of the Company work closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the valuation model by holding discussions with the independent professional valuer and verify and analyse major inputs and assumptions in the valuation worksheets and reports.

(c) Fair value measurement of investment properties

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

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Fair value as at 31/12/2017 RMB'000**
Recurring fair value measurement				
Investment properties	–	–	**69,699**	**69,699**

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the year ended 31 December 2017. 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
At the date of transfer and as at 31 December 2017, the Group's investment properties were appraised by adopting a combination of market and depreciated replacement cost approaches in assessing the land portions of the investment properties and the buildings and structures standing on the land. The sum of the two results represents the fair value of the investment properties as a whole.

In valuation of the land portions, their fair value was determined using market approach with reference to standard land price determined by relevant land bureau of comparable land in the local market which is publicly available.

In valuation of the buildings and structures standing on the land, their fair value was determined using replacement cost approach that reflects the cost to a market participant to construct similar assets of comparable locality, utility and age, adjusted for residue rates specific to the quality of the Group's buildings. Higher estimated residue rate and unit replacement costs would result in a higher fair value measurement, and vice versa.

Item	**Valuation technique**	**Unobservable inputs**	**Range**
Building (factory, fodwon and office)	Replacement cost approach	Unit replacement cost	RMB2,156/m^2 – RMB4,276/m^2 per square metre
		Useful life residue rate	58% – 69%
		On-site inspection residue rate	55% – 60%

(d) As at 31 December 2017, no investment properties were pledged as a security.

19. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2017 **RMB'000**	2016 RMB'000
Deposit paid for:		
– Acquisition of Beidou central monitoring system and school bus (Note)	**34,500**	–
– Leasehold improvements	**987**	–
	35,487	–

Note:

For the purpose of the development of Beidou School Bus project in the Shaanxi Province in the PRC, the Group entered into an acquisition agreement with independent third parties during the year 2017, pursuant to which the Group agreed to acquire 190 units of school bus equipped with Beidou management and positioning function and a Beidou central monitoring system (collectively "Beidou School Bus and System") at a total consideration of RMB68,000,000 (the "Acquisition Agreement"). Under the payment schedule of the Acquisition Agreement, the Group is required to paid the deposit of RMB34,500,000 during the year 2017 and the balance will be paid within 20 working days from the date of delivery. The deposit is refundable in full with a penalty of 3% on the deposit paid at the expiry date of the acquisition agreement (i.e. 25 December 2018) if the counterparty fail to deliver the Beidou School Bus and System to the Company.

20. BIOLOGICAL ASSETS

	2017 **RMB'000**	2016 RMB'000
As at 1 January	**26,278**	24,978
Decrease due to harvest (Note (i))	**(833)**	–
Gain arising from change in fair value less costs to sell (Note(ii))	**1,784**	1,300
As at 31 December	**27,229**	26,278

Notes:

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

	Approximate number of quantity		**Amount**	
	2017 **'000**	2016 '000	**2017** **RMB'000**	2016 RMB'000
Chinese herbs – Underground Ginsengs (matured)	**3**	–	**833**	–

(ii) Changes in fair value less costs to sell during the year represent the differences between the value of existing biological assets as at the beginning and the end of the financial year.

(iii) The quantity and amount of biological assets measured at fair value less costs to sell as at 31 December are analysed as follows:

	Approximate number of quantity		**Amount**	
	2017 **'000**	2016 '000	**2017** **RMB'000**	2016 RMB'000
Chinese herbs – Underground Ginsengs (matured)	**133**	132	**27,229**	26,278

As at 31 December 2017, no biological assets had been pledged as security (2016: Nil).

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

(1) Regulatory and environmental risks

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

(2) Supply and demand risks

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

(3) Climate and other risks

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

Fair value measurement of biological assets

(i) Fair value hierarchy

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

31/12/2017	**Level 1**	**Level 2**	**Level 3**	**Fair value as at 31/12/2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement				
– Biological assets	**–**	**27,229**	**–**	**27,229**

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

There were no transfers into or out of Level 2 during the years ended 31 December 2017 and 2016. 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.

21. INVENTORIES

	2017	2016
	RMB'000	RMB'000
Finished goods	**–**	2,657

22. TRADE AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables (Note (i))	**1,067**	9,016
Fu Man Shan Zhen receivable (Note (ii))	**–**	26,796
Prepayment and other receivables (Note (iii))	**15,167**	35,644
	16,234	71,456
Non-current	**–**	21,796
Current	**16,234**	49,660
	16,234	71,456

Notes:

(i) Trade receivables

The Group's trading terms with its customers are mainly on credit. 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 the credit assessment process. 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 are considered unlikely to be fully recoverable.

As at 31 December 2017, the ageing analysis of trade receivables presented based on the invoice date is as follows:

	2017 **RMB'000**	2016 RMB'000
0 – 30 days	**1,051**	9,000
31 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 180 days	**9,193**	–
181 – 365 days	**6,280**	–
Over 365 days	**4,229**	4,229
Total trade receivables	**20,753**	13,229
Less: Impairment	**(19,686)**	(4,213)
Total trade receivables, net of impairment	**1,067**	9,016

Trade receivables at the end of reporting period mainly comprise amounts receivable from sales of Chinese herbs (2016: Chinese medicine products and rendering of big data services). No interest is charged on the trade receivables. The Group does not hold any collateral over these balances.

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

Included in trade receivables are debtors with carrying amounts of approximately RMB16,000 (2016: RMB16,000) 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:

	2017 **RMB'000**	2016 RMB'000
91 – 180 days	**–**	–
181 – 365 days	**–**	–
Over 365 days	**16**	16
	16	16

Movements of impairment:

	2017 **RMB'000**	2016 RMB'000
Balance at beginning of the year	**4,213**	4,213
Impairment	**15,473**	–
Reversal of impairment	**–**	–
Balance at end of the year	**19,686**	4,213

(ii) Fu Man Shan Zhen Receivable
Pursuant to the Settlement Agreement dated 14 March 2015, 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 2015, i.e. the "Fu Man Shan Zhen Receivable". The amount was measured at the present value of the estimated future cash flows discounts with reference to the prevailing market interest rate of 16.86% at the date of initital recognition.

During the year end 31 December 2017, Fu Man Shan Zhen defaulted to repay instalment of RMB5,000,000 as scheduled in the Settlement Agreement. Based on the credit review performed using latest available information available to management of the Company, the management of the Group was of the view that Fu Man Shan Zhen had financial difficulties and was unable to repay the remaining balance of Fu Man Shan Zhen Receivable. Accordingly, the management of the Group concluded that the recoverability of the Fu Man Shan Zhen Receivable was remote and full impairment loss was recognised during the year.

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

	2017 **RMB'000**	2016 RMB'000
Balance at beginning of the year	**26,796**	26,576
Imputed interest income during the year	**4,517**	4,480
Repayment during the year	**(295)**	(4,260)
Impairment losses	**(31,018)**	–
Balance at end of the year	**–**	26,796

(iii) Prepayment and other receivables

	2017 RMB'000	2016 RMB'000
Prepayments	**944**	4,713
VAT recoverable	**101**	441
Refundable deposits (Note a)	**5,491**	27,945
Advance to staff	**2,225**	2,041
Other receivables (Note b)	**6,406**	504
Balance at end of the year	**15,167**	35,644

Notes:

(a) As at 31 December 2017, refundable deposits included an amount of RMB20,000,000 for deposit paid to trade suppliers (2016: RMB26,972,000). During the year, a trade supplier of the Group was unable to perform its obligations under the purchases contract with the Group and it was required to refund the whole deposit to the Group plus a penalty of 3% on the total deposit paid. Based an the latest available information available to management of the Company, the management of the Group was of the view that trade supplier had financial difficulties and was unable to refund the whole deposit and penalty. Accordingly, the management of the Group concluded that the recoverability of the refundable deposit was remote and full impairment loss was recognised during the year.

As at 31 December 2017, refundable deposit included an amount of RMB4,500,000 deposit paid to a online Chinese herb trading platform developer. During the year, the developer was unable to deliver the online trading platform to the Group and agreed to refund the full amount of the deposit paid by the Group. The amount was fully refunded in the year 2018.

(b) As at 31 December 2017, other receivables included an amount of RMB5,000,000 advanced to an independent third party. It was unsecured, bearing the interest at an annual rate of 6% and repayable within one year. The amount was fully repaid in the year 2018.

23. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**919**	61,702

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

Bank balances in the PRC are interest bearing at respective saving deposits rate in the PRC, and the effective interest rates of the Group's balances is 0.35% (2016: 0.35%) per annum.

The Group's cash and bank balance of approximately RMB18,000 (2016: RMB56,663,000) were deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government.

24. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**5,206**	1,498
Payables for PRC statutory contribution	**602**	589
Other taxes payable	**275**	906
Other payables and accruals	**4,475**	3,258
	10,558	6,251

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

	2017 RMB'000	2016 RMB'000
0 – 1 month	**–**	1,498
2 – 6 months	**–**	–
7 – 12 months	**4,711**	–
Over 1 year	**495**	–
Balance at end of the year	**5,206**	1,498

25. LONG-TERM BORROWINGS

	2017 RMB'000	2016 RMB'000
After one year but within two years	**–**	–
After two years but within five years	**2,100**	–
After five years (Note)	**20,400**	22,500
	22,500	22,500

Note:

The long-term borrowing with carrying amount of RMB22,500,000 (2016: 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 less a discount of 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. The Group's obligation to make the next repayment will be in the year 2022.

26. DEFERRED TAXATION

Deferred tax liabilities

The following are major deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the current and prior year:

	Investment properties RMB$'000
As at 1 January 2017	**–**
Charge to other comprehensive income	**14,533**
As at 31 December 2017	**14,533**

Deferred tax assets

No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	Number of shares	**Amount** RMB'000
Issued and fully paid:		
Domestic shares of RMB0.1 each		
At 1 January 2016	539,654,240	53,965
Issued of new shares under shares placing (Note a)	70,000,000	7,000
At 31 December 2016, 1 January 2017 and 31 December 2017	609,654,240	60,965
H shares of RMB0.1 each		
At 1 January 2016	207,000,000	20,700
Issued of new shares under shares placing (Note b)	41,400,000	4,140
At 31 December 2016, 1 January 2017 and 31 December 2017	248,400,000	24,840
Total as at 31 December 2016 and 31 December 2017	858,054,240	85,805

Notes:

(a) On 11 November 2016, 70,000,000 Domestic shares of the Company were issued to placees at a total consideration of RMB62,034,000, of which RMB7,000,000 was credited to share capital account and the net balance after expenses of RMB55,034,000 was credited to share premium account.

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

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

28. SHARE OPTION SCHEME

Pursuant to a share option scheme approved by the shareholders of the Company at the annual general meeting held on 31 May 2017 (the "Share Option Scheme"), the Company may grant options to eligible directors of the Company, eligible employees of the Group and other selected participants, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK$1 upon each grant of options offered.

The subsription price of the share option will be determined at the highest of:

(i) the closing price of the Company's shares on the Stock Exchange on the date of offer, which must be business day;

(ii) the average closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of the offer of the option; and

(iii) the nominal value of the Company's H share on the date of offer.

The share options are exercisable at any time during a period of not more than 10 years from the date of offer, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the board of directors.

The maximum number of shares in respect of which options may be granted shall not exceed 30% of the number of H shares of Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued H shares of Company.

Up to the date of issuance of the consolidated financial statements, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

29. 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.

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

	2017 **RMB'000**	2016 RMB'000
Short-term employee benefits	**852**	1,181
Post-employment benefits	**225**	105
	1,077	1,286

(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.

(d) During the year, the Company provided guarantee to an entity owned by the father of the Company's Chairman. Details are set out in note 34. This transaction constituted a connected transaction as defined in Chapter 20 of GEM Listing Rules.

30. COMMITMENTS

Operating lease commitments

The Group as a lessee

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

	2017 **RMB'000**	2016 RMB'000
Within one year	**3,838**	3,724
In the second to fifth year inclusive	**6,492**	9,361
After five years	**2,021**	3,005
	12,351	16,090

Operating lease payments represent rentals payable by the Group for office properties and staff quarters. Leases are negotiated for an average term of three years and rentals are fixed for an average term of three years.

The Group as a lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments, which fall due:

	2017 **RMB'000**	2016 RMB'000
Within one year	**1,013**	–
In the second to fifth year inclusive	**1,013**	–
	2,026	–

The investment properties have committed tenants with fixed rental for a term of two years.

Capital commitments

At the end of the reporting period, the Group's capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2017 RMB'000	2016 RMB'000
Contracted but not provided for		
– Acquisition of Beidou central monitoring system and school bus	33,500	–
– Acquisition of softwares	6,500	–
– Capital contribution to an associate (note)	20,000	–
– Acquisition of leasehold improvements	229	–
	60,229	–

Note: The associate has not yet commenced business during the year 2017.

31. PARTICULARS OF SUBSIDIARIES

(a) Particulars of subsidiaries of the Company as at 31 December 2017 and 2016 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 Norteast 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
天津中合盛國際貿易有限公司	The People's Republic of China	Limited liability company	RMB20,000,000	60%	General trading
北京北斗嘉管理諮詢有限公司	The People's Republic of China	Limited liability company	RMB10,000,000	100%	Consultancy services
安徽北斗嘉健康數據有限公司 (disposed on 19 January 2018)	The People's Republic of China	Limited liability company	RMB50,000,000	100%	Development of civilian use of Beidou and big data

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

Name of Company	Place of incorporation/ operation	Principal place of business	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2017	2016	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
天津中合盛國際貿易有限公司	The People's Republic of China	The People's Republic of China	40%	40%	14,824	126	(6,950)	7,874

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

	天津中合盛國際貿易有限公司	
	2017	2016
	RMB'000	RMB'000
Current assets	**3,273**	40,155
Non-current assets	**1,064**	1,353
Current liabilities	**(21,713)**	(21,823)
Non-controlling interests	**(6,950)**	7,874
Revenue	**16,134**	20,992
Expenses	**(53,195)**	(21,307)
Loss for the year	**(37,061)**	(315)
Loss attributable to the non-controlling interests	**(14,824)**	(126)
Other comprehensive income attributable to owners of the Company	**–**	–
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive income for the year	**–**	–
Total comprehensive expense attributable to owners of the Company	**(22,237)**	(189)
Total comprehensive expense attributable to the non-controlling interests	**(14,824)**	(126)
Total comprehensive expense for the year	**(37,061)**	(315)
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(4,130)**	(30,253)
Net cash outflow from investing activities	**(110)**	(1,444)
Net cash (outflow)/inflow from financing activities	**(4,054)**	40,000
Net cash (outflow)/inflow	**(8,294)**	8,303

32. 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 2017 and 2016.

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 noncurrent assets as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2017 and 2016 are as follows:

	2017 **RMB'000**	2016 RMB'000
Total liabilities	**47,591**	28,751
Total assets	**157,906**	216,961
Gearing ratio	**30%**	13%

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**16,108**	101,033
Financial liabilities		
Financial liabilities at amortised costs	**32,181**	27,256

(b) Financial risk management objectives and policies

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

(i) Market risk

Foreign currency risk

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

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

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

	Assets		**Liabilities**	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Hong Kong Dollar	**895**	17,298	**286**	456

Sensitivity analysis

The Group is mainly exposed to the effect of fluctuation in Hong Kong Dollar. The following table indicates the change in the Group's (loss)/profit for the year and consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. The analysis is performed on the same basis in 2017 and 2016.

	2017			2016		
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase on loss for the year and accumulated losses RMB'000**	**Increase/ (decrease) on consolidated equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit for the year and accumulated losses RMB'000	Increase/ (decrease) on consolidated equity RMB'000
Hong Kong Dollar	**5%**	**(30)**	**30**	5%	842	842
	(5%)	**30**	**(30)**	(5%)	(842)	(842)

Interest rate risks

The Group's cash flow interest rate risk relates primarily to bank balances and long-term borrowings as disclosed in notes 23 and 25 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 loss for the year ended 31 December 2017 would increase/decrease by approximately RMB112,000 (2016: profit for the year increase/decrease by approximately RMB154,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances and long-term borrowing.

(ii) Credit risk management
As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to trade receivables, the management of the Group has strengthened 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% (2016: 100%) of the total trade receivables are due from the Group's largest customer. However, the management considers, based on the strong financial background and good creditability of those debtors, there are no significant credit risks.

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

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

(iii) Liquidity risk management
In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from sale of goods, 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.

2017

	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	**10,558**	**-**	**-**	**-**	**10,558**	**10,558**
Long-term borrowings	**1,955**	**1,006**	**5,109**	**24,316**	**32,386**	**22,500**
	12,513	**1,006**	**5,109**	**24,316**	**42,944**	**33,058**

2016

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

(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.

34. LAWSUIT

On 20 January 2017, the Company and its chairman, Mr. Wang Shaoyan ("Mr. Wang"), agreed to undertake joint and several obligations for the outstanding liabilities of the Zhong Xing Heng He Investment Group Company Limited (the "Guaranteed Entity") under the lawsuit between the Guaranteed Entity and the third party, in which the maximum amount of guarantee provided by the Company and Mr. Wang was RMB35,000,000. At the time of undertaking, the Guaranteed Entity was owned by the father of Mr. Wang. Pursuant to the court order issued by the relevant court in the PRC dated 21 November 2017, the Guaranteed Entity was ordered to pay to the third party for the outstanding liabilities in the amount of RMB35,000,000.

On 23 March 2018, Mr. Wang had paid a settlement amount of RMB35,000,000 to the People's Court of Chaoyang District of Beijing (the "Beijing People's Court") in accordance with the undertaking. On the same day, the Beijing People's Court issued a case closing confirmation that the joint and several liability of the Company and Mr. Wang in respect of the obligations under the lawsuit had been fulfilled and the lawsuit was closed. Details are set out in the announcement dated 29 March 2018.

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the reporting period, the board of directors of the Company (the "Board") had found a claim from a third party (the "Third Party") alleging that the Company had an outstanding liabilities of RMB20,000,000 (the "Outstanding liabilities") which remains unsatisfied to the Third Party (the "Alleged Claim").

As the Board was unable to ascertain the genuineness of the Outstanding Liabilities due to the lack of information, the Company has sought legal advice on the Alleged Claim regarding the defense or counterclaim and established a special investigation committee, comprising Hui Lai Yam, Gao Zhikai and Yang Yulin, all independent non-executive Directors, for the purpose of, among other things, investigating and reporting on the matters and events leading to and/or otherwise relating to the Alleged Claim, and recommending appropriate actions to be taken by the Group. Details are set out in the announcement dated 28 March 2018.

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

	Notes	As at 31 December **2017** **RMB'000**	2016 RMB'000
Non-Current Assets			
Intangible assets		**256**	215
Land use rights		**–**	8,872
Property, plant and equipment		**669**	37,637
Investment properties		**69,699**	–
Deposit for acquisition of property, plant and equipment		**35,487**	–
Interests in subsidiaries	(i)	**338**	63,483
		106,449	110,207
Current Assets			
Trade and other receivables		**7,548**	15,467
Cash and bank balances		**899**	53,391
		8,447	68,858
Total Assets		**114,896**	179,065
Less: Current Liabilities			
Trade and other payables		**4,902**	4,248
		4,902	4,248
Net Current Assets		**3,545**	64,610
Non-Current liabilities			
Amount due to subsidiaries		**1,329**	–
Long-term borrowings		**22,500**	22,500
Deferred tax liabilities		**14,533**	–
		38,362	22,500
Net Assets		**71,632**	152,317
Capital and Reserves attributable to Owners of the Company			
Share capital		**85,805**	85,805
Reserves	(iii)	**(14,173)**	66,512
Total Equity		**71,632**	152,317

This statement of financial position was approved and authorized for issue by the Board of Directors on 29 March 2018 and signed on behalf of the Board by:

Wang Shao Yan
Director

Cui Bing Yan
Director

Notes:

(i) At the end of the reporting period, unlisted investments in subsidiaries are carried at cost less accumulated impairment loss.

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

(iii) Movements in reserves.

	Share premium RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2016	**19,027**	**11,326**	**3,744**	**9,685**	**(36,428)**	**7,354**
Loss for the year	-	-	-	-	(28,623)	(28,623)
Other comprehensive income for the year	-	-	4,190	-	-	4,190
Total comprehensive income/(expense) for the year	-	-	4,190	-	(28,623)	(24,433)
Issue of domestic shares under share placing	55,034	-	-	-	-	55,034
Issue of H shares under share placing	28,557	-	-	-	-	28,557
As at 31 December 2016 and at 1 January 2017	**102,618**	**11,326**	**7,934**	**9,685**	**(65,051)**	**66,512**
Loss for the year	-	-	-	-	(91,210)	(91,210)
Other comprehensive income for the year	-	-	10,525	-	-	10,525
Total comprehensive income/(expense) for the year	-	-	10,525	-	(91,210)	(80,685)
As at 31 December 2017	**102,618**	**11,326**	**18,459**	**9,685**	**(156,261)**	**(14,173)**

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 2017, no statutory revenue reserve was transferred into share capital subsequent to the Company's reorganisation to a joint stock limited Company (2016: 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 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.

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 2017

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				
	2017	2016	2015	2014	2013
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/profit attributable to owners of the Company	**(73,596)**	225	7,101	(26,708)	6,659

	2017	2016	2015	2014	2013
Assets and liabilities	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**157,906**	216,961	109,375	108,957	146,495
Total liabilities	**47,591**	(28,751)	(28,215)	(38,642)	(49,472)
Owners' equity	**110,315**	188,210	81,160	70,315	97,023