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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR END 31 DECEMBER 2018

Reference is made to the notice of board meeting dated 8 March 2019 and 15 April 2019 (the "**notice of board meeting**"). Unless otherwise defined, terms used in this announcement shall have the same meanings as those in the notice of board meeting.

The board ("**Board**") of directors ("**Directors**") of Baytacare Pharmaceutical Co., Ltd (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the annual results of the Group for the year ended 31 December 2018. This announcement, containing the full text of the 2018 annual report of the Company (the "**2018 Annual Report**"), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcements of the annual results.

In the meeting of the Board held on 29 April 2019 (the "**Board Meeting**"), it was resolved that no dividend be paid.

The 2018 Annual Report has been approved by the Board in the Board Meeting. The printed version of the 2018 Annual Report will be dispatched to the shareholders of the Company and will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.baytacare.com in due course.

By Order of the Board
Baytacare Pharmaceutical Co., Ltd.*
Fang Yao
Chairman

Shenzhen, People's Republic of China, 29 April 2019

* *for identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this report misleading.

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
Cui Bingyan
Fang Yao (Appointed on 15 June 2018)
Guo Aiqun (Appointed on 15 June 2018)
Wang Shaoyan (Ceased on 15 June 2018)
Jiang Xiaobin (Ceased on 15 June 2018)

NON-EXECUTIVE DIRECTORS
Shi Peng
Cao Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Gao Zhikai (Resigned on 12 April 2019)
Hui Lai Yam (Resigned on 15 April 2019)
Chen Youfang (Appointed on 15 June 2018)
Yang Yulin (Resigned on 1 April 2018)
Zhu Tianxiang (Appointed on 24 April 2019)

SUPERVISORS
Lin Xiarong
Li Li (Appointed on 15 June 2018)
Zhao Haitao (Appointed on 15 June 2018)
Yang Lixue (Ceased on 15 June 2018)
Han Xue (Ceased on 15 June 2018)

COMPANY SECRETARY
Ng Chenhuei

AUDIT COMMITTEE
Gao ZhiKai (Resigned on 12 April 2019)
Hui Lai Yam (Resigned on 15 April 2019)
Chen Youfang (Appointed on 15 June 2018)
Yang Yulin (Resigned on 1 April 2018)
Zhu Tianxiang (Appointed on 24 April 2019)

COMPLIANCE OFFICER
Cui Bingyan

AUTHORIZED REPRESENTATIVES
Cui Bingyan
Fang Yao

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
Li & Partners

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 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
12/F, Kam Sang Building
255–257 Des Voeux Road 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 "Group") for the year ended 31 December 2018.

Business Review

During the period under review, the lack of momentum in global economic growth continued. the Chinese economy growth will be stable but may change. The Chinese government has continued to promote supply-side reforms, including the introduction of a series of steady growth measures, which have gradually increased the positive factors in the economic structure.

The Group's business is classified into four main segments: A. Chinese Herbs Business; B. Medicines Business; C. Medicines Sourcing/Trading Business; and D. Big Data Business.

A. Chinese Herbs Business

After thorough study and consideration of the Feasibility Study Report and the potential markets and costs of different Chinese herbs, the Company considered that in addition to ginseng, the plantation and harvesting of Sehisandra (五味子) would also be one of the key products of the Company under this segment. Sehisandrais a precious Chinese herb and considered as one of the 50 fundamental herbs which have multi-functions and wide application for health-related issue. Sehisandra can harvest and ready for sales one year after the plantation and can harvest over a period of 10 years while the third to fourth year after the plantation would be their rich harvesting period. According to market search of the Company, the Sehisandra is in strong demand and its market price has been on an upward trend, increased from RMB50/kg in 2015 to RMB150/kg to 2018.

The Company has already employed two experienced plantation personnel who both have over 15 years of experience in the plantation of Sehisandra and have deep understanding in the local market for Sehisandra. The Company is currently working on the preparation work for the plantation of and has been liaising with the potential suppliers of the sapling of Sehisandra and potential customers of Sehisandra so as to formulate our plantation plan. The Company has entered into a sales contract with 尚志市北方中藥材種植專業合作社 (the "Co-Op") on 28 July 2018 for a term of five years and three months, pursuant to which the Co-op would purchase 20,000 kg to 30,000 kg of Sinshandra each year from the Company at the prevailing market price. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, each of Co-Op and its ultimate beneficial owners is independent of the Company and its connected persons. The Company has already received a deposit of RMB100,000 from the Co-Op pursuant to the sales contract. It is currently contemplated that the sowing and plantation of Sehisandra will commence in March 2019 as the sowing season for Sehisandra is in March and April only. The Company intends to procure Sehisandra locally to satisfy the obligation under the sales contract for the years ended 31 December 2018 and 2019 and expects to sell the harvested self-planting Sehisandra beginning from 2020.

In respect of the sales of Ginseng, 安圖縣東北虎新興特產有限公司, a wholly-owned subsidiary of the Company, has entered into supply contract with the Co-Op on 6 August 2018, pursuant to which the Co-Op would purchase the ginseng planted in the Forest Land from the Group at a price taking into account the quality of ginseng and the prevailing market price, for a term of three years. The Company has already received a deposit of RMB100,000 from the Co-Op.

B. Medicines Business

There is strong correlation between the original medicine business of the Group and the distribution business under the Agency Agreement and Framework Agreement, with with Zhuhai Guangyuan Co., Ltd.* (珠海廣緣醫藥有限公司) ("Zhuhai Guangyuan"). The Group is originally a Chinese medicine manufacturer based in Jilin Province with extensive sales and distribution network covering various districts in Jilin Province, including Changchun, Jilin, Siping, Yanji and Jiutai, etc.. Although the Group has made a commercial decision to scale down its original manufacturing of Chinese medicine business in view of the high research and development costs and ever increasing raw materials and labor costs with no sign of slowing down, increasingly stringent government regulations on the medicines industry and large amount of capital required for medicine manufacturing, it still maintains good and close relationship with the downstream customers including Zhuhai Guangyuan, pharmacy stores and hospitals to distribute Chinese medicines or other relating products in Jilin Province.

Zhuhai Guangyuan does possess extensive distribution network with nationwide chain stores but given their existing network is principally focused in Southern China and they do not maintain an extensive network in Jilin Province, they entered into the Agency Agreement with the Company so that the Product can be marketed in Jilin Province in a more cost-effective way.

It is the intention between the Company and Zhuhai Guangyuan that the distribution of the Product would serve as a starting point for future and more extended cooperation between them. Should the distribution of the Product by the Group in Jilin Province be proved to be successful, Zhuhai Guangyuan would consider to engage the Company to act as the authorized Zhuhai Guangyuan for its other medicines or medical products, Moreover, the Company can also take this opportunity to demonstrate its distribution capability in Jilin Province to other medical Zhuhai Guangyuans or manufacturers that is interested in marketing or distributing their products in Jilin Province. As such, the Company expects to generate more revenue and profit from this business segment after the transformation from the role of a manufacturer to Zhuhai Guangyuan.

C. Medicines Purchasing Management/Trading Business

The Company has on 12 May 2016 established a joint venture company named as 天津中合盛國際貿易有限公司 (the "JV Company") with Beijing Shangzheng Technology Co., Ltd.* (北京上正科技有限公司) ("Beijing Shangzheng Technology") with are registered capital of RMB20,000,000 in which the Company holds 60% equity interest and Beijing Shangzheng Technology holds 40% equity interest respectively. The JV Company is a non-wholly owned subsidiary of the Group. As disclosed in the Company's announcement dated 10 May 2016, Beijing Shangzheng Technology is principally engaged in the marketing operation, hardware and software application of navigation systems, and production and trading of commodities and has various business partners domestically and internationally and established extensive trading channels.

The Company has been conducting its Medicines Business, Purchasing Management/Trading Business through the JV Company and Beijing Shangzheng Technology's established trading channels and other long established trading channels.

On one hand, the Board will consider selling the Product through the aforesaid established Purchasing Management/trading channels. One the other hand, the Board will also consider sourcing medicines from other medicines manufacturers and Zhuhai Guangyuans and distribute or sell related medicines and products through the aforesaid established trading networks.

D. Big Data Business

Among the seven software products development commissioned by the company, the Beidou Satellite Intelligent Terminal Control and Management System Software (the "Software"), which is compatible with a wide range of mobile devices, including smartphones, tablets, smart watches and student cards, and is designed for both iOS and Android operating system and comprises location-based service related functions including global positioning system providing precise global location and velocity data, location security assistance services (early warning, rescue, alarm, etc.) as well as remote control of connection device functions, has been completed in August 2018 and delivered to the Group.

Reference is made to the voluntary announcement of the Company dated 17 August 2018 in respect of the entering of (1) Strategic Cooperation Agreement; (2) Technical Development Service Agreement; (3) Sale and Purchase Agreement and (4)Proposed Procurement Cooperation Agreement. (the "Agreements") Pursuant to the Agreements, pursuant to which the Group begin to commercialize the Software through providing the Software to install to the smart phones procured from independent third parties and on-sold them to the purchaser.

Reference is made to the announcement of the Company dated 17 August 2018, and the sale and purchase agreement entered into by Beijing Baytacare Management Consulting Co., Ltd.* (北京北斗嘉管理諮詢有限公司) ("Baytacare Management"), a wholly-owned subsidiary of the Company, with Xintuo Wanbang (Beijing) Communications Technology Co., Ltd.* (新拓萬邦(北京)通信科技有限公司) ("Xintuo Wanbang") as referred to in such announcement. As of 20 December 2018, the monetary amount of sales of mobile devices made by Baytacare Management under such agreement is RMB14,332,758.67. In addition, Baytacare Trading Co., Ltd.* (北斗嘉貿易有限公司) ("Baytacare Trading"), a wholly-owned subsidiary of the Company, has on 13 October 2018 entered into an agreement for the sale and purchase of mobile devices with a new customer, Ulefone Technology (HK) Co., Limited. The total transactional monetary amount under the sale and purchase agreement is USD1,071,000, and as of 20 December 2018, Baytacare Trading has received a deposit of USD321,300.

As at 31 December 2018, the monetary amount of sales of mobile devices made by Baytacare Management under such agreement is RMB21,077,586.26.

Prospects

With the slow growth of the pharmaceutical industry, continuous introduction of various new medical regulations and the gradual implementation of the "two-invoices system" policy, the environment of China's pharmaceutical market has experienced significant change. The Board will focus on existing business growth and also will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the shareholders of the Company (the "Shareholders").

(a) the cultivation of the Chinese Herbs requires time, the Company will harvest existing matured underground wild ginsengs grown on the Forest Land for sale if the market price is considered favourable to the Company;

(b) the Chinese Herbs harvested from the Forest Land may be utilized to produce Chinese medicines and distributed under the Strategic Cooperation with Zhuhai Guangyuan and other distribution channels;

(c) established purchasing management/trading channels of the Trading Business and other medicines and related products' distribution channels shall serve as a sourcing management or distribution outlet for the products from the Group's Chinses Herbs Business and Medicines Business; and

(d) the Company is also in negotiation with companies in the electricity industry and education industry regarding the application and sales of the Software. The Company will commercialize other six developed software products.

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
Fang Yao
Chairman

Shenzhen, the PRC
29 April 2019

The Directors are pleased to present their report together with the audited consolidated financial statements of Baytacare Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "Group") for the year ended 31 December 2018.

COMPANY ORGANISATION

The Company was incorporated in the People's Republic of China (the "PRC") on 20 November 1998 as a privately owned company with limited liability. On 30 June 2000, the Company was converted into a joint stock company with limited liability in the PRC.

The Company's H shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 February 2002.

PRINCIPAL ACTIVITIES

The Group's business is classified into four main segments: A. Chinese Herbs Business; B. Medicines Business; C. Medicines Sourcing/Trading Business; and D. Big Data Business.

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 100.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2018 can be found in the Management Discussion and Analysis as set out on pages 17 to 18 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 6 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" and "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The fundamental task of senior management of the Group is always leading the management to concern 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 are 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 2018 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	65%
– five largest suppliers combined	100%

Sales

– the largest customer	66%
– 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 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 34.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018.

RESERVES

Movement of the reserves of the Group and the Company during the year ended 31 December 2018 is set out in the consolidated statement of change in equity on page 36 and Note 36 to the consolidated financial statements respectively.

As of 31 December 2018, there was no reserves available for distribution as calculated under the statutory provisions of the PRC to equity shareholder of the Company.

FIXED ASSETS

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

SHARE CAPITAL

Details of movement of share capital of the Company are set out in Note 30 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group, surplus received from the Company's subsidiaries and any other factors that the Board deem appropriate. The Company's ability to pay dividends is also subject to the requirements of the GEM Listing Rules and all relevant applicable laws, rules and regulations in the PRC, Hong Kong and the Memorandum and Articles of Association of the Company.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report are as follows:

Executive Directors

Cui Bingyan
Fang Yao (Appointed on 15 June 2018)
Guo Aiqun (Appointed on 15 June 2018)
Wang Shaoyan (Ceased on 15 June 2018)
Jiang Xiaobin (Ceased on 15 June 2018)

Non-executive Directors

Shi Peng
Cao Yang

Independent non-executive Directors

Gao ZhiKai (Resigned on 12 April 2019)
Hui Lai Yam (Resigned on 15 April 2019)
Chen Youfang (Appointed on 15 June 2018)
Yang Yulin (Resigned on 1 April 2018)

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 13 to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the year ended 31 December 2018, 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 2018.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2018 are set out in Note 28 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group had no material related party transactions, which constituted connected transactions under the GEM Listing Rules.

UPDATE ON LISTING STATUS

The Company has received a letter dated 14 September 2018, that the Stock Exchange has decided to suspend trading in the shares of the Company under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules (the "Decision"). Under Rule 4.06(1) of the GEM Listing Rules, the Company has the right to have the Decision referred to the GEM Listing Committee for review on or before 26 September 2018. The Company did not lodge a request for the Decision to be referred to the GEM Listing Committee of the Stock Exchange pursuant to Chapter 4 of the GEM Listing Rules for review. Based on the above, at the request of the Company, trading in the shares of the Company were suspended with effect from 9:00 a.m. on 27 September 2018.

The Company received a letter from the Stock Exchange dated 4 October 2018, in which the Stock Exchange set out the following resumption guidance for the Company:

- Demonstrate its compliance with Rule 17.26 of the GEM Listing Rules.

The Company is taking appropriate steps to remedy the issues causing its trading suspension and will use its best endeavours to resume trading in its shares as soon as practicable.

For details, please refer to the announcements of the Company dated 26 September 2018, 10 October 2018 and 21 December 2018.

LEGAL ACTIONS

The Company instituted legal actions in mainland China against Mr. Wang Shaoyan (a former executive director of the Company and chairman of the Board, who had been removed as the chairman of the Board) for entering into various agreements on behalf of the Company without due authorisation of the Board, and failure to carry out his duties as a director of the Company and to protect the interest of the Group. On 21 August 2018, Mr. Wang Shaoyan was arrested by the PRC Public Security Bureau for suspected misappropriation of funds. On 26 September 2018, Beijing Municipal Chaoyang District People's Procuratorate (北京市朝陽區人民檢察院) issued an approval for arrest of Mr. Wang Shaoyan for suspected misappropriation of funds in accordance with the Criminal Procedure Law of the People's Republic of China (中華人民共和國刑事訴訟法). The public security authority also included Mr. Wang Yan, the father of Wang Shaoyan, in the scope of investigation.

In relation to the civil loan dispute lawsuit between the Company and Beijing Haigang Investment Development Co., Ltd.* (北京海港投資發展有限公司) ("Harbour Company"), the Company has on 12 October 2018 received the judgment of Beijing Chaoyang District People's Court. The court ruled that the Company is to repay the principal loan amount of RMB25,500,000, related expenses and legal fees; and that WangYan and Wang Shaoyan are to be jointly liable for the above liabilities of the Company. The court has seized a real estate and related assets under Wang Shaoyan's name. The Harbour Company has applied to the People's Court of Chaoyang District of Beijing ("Beijing Court of China") for enforcement of the loan case, and the Harbour Company has applied to the Beijing Court of China on 29 December 2018 for suspension of enforcement against the Company, and for enforcement against the assets of Wang Yan and Wang Shaoyan only. The real estate assets of Wang Shaoyan and the company shares held by Wang Shaoyan and Wang Yan are being further dealt with by the Beijing Court of China.

In relation to the agreement for the acquisition of school buses entered into by the Company, Beijing Shan Shi Media Technology Limited* (北京山石傳媒科技有限公司) ("Beijing Shan Shi") and Zhonghe Beidou Information Technology Limited* (中和北斗資訊技術股份有限公司), as BeijingShan Shi has not delivered the school buses in accordance with the provisions of the agreement, this has constituted a breach of the agreement. The Company has formally engaged a lawyer to sue Beijing Shan Shi, to pursue its legal liabilities.

For details, please refer to the announcements of the Company dated 26 April 2018, 27 April 2018, 30 April 2018, 9 July 2018, 14 September 2018, 26 September 2018, 21 December 2018 and 26 March 2019.

On 29 March 2018, Mr. Wang Shaoyan made five unauthorised transfers of an aggregate amount of RMB6,000,000 from the Company to Beijing Shengshi Yansen Technology Limited * (北京盛世岩森科技有限公司) ("Beijing Shengshi"). On 30 March 2018, Beijing Shengshi returned RMB350,000 to the Company. However, despite repeated demands by the Company and legal letters sent by the Chinese lawyer of the Company to Beijing Shengshi, Beijing Shengshi has refused to repay the outstanding amount of RMB5,650,000. The Company has instructed its Chinese lawyer to commence legal action in the PRC against Beijing Shengshi for the recovery of the outstanding amount of RMB5,650,000.

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

As at 31 December 2018, 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 December2018, 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 December2018, 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 1)	Beneficial owner	398,534,660	65.37	46.44
Guo Feng (Note 1)	Beneficial owner	137,611,830	22.57	16.04
Wang Yu Qin (Note 2)	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Zhong Jia Hui Tong Investment Management Company Limited* (北京中嘉慧通投資管理有限公司) (Note 2)	Beneficial owner	31,500,000	5.17	3.67
Yu Bo (Note 3)	Interest of controlled corporation	31,500,000	5.17	3.67
Beijing Yue Sheng Investment Management Company Limited* (北京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 2018, 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 2018 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 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. As at 31 December 2018, the audit committee comprises three independent non-executive Directors. The chairman of the committee is Mr. Chen Youfang (Appointed on 15 June 2018 to replace Mr.Yang Yulinwho resigned on 1 April 2018), and the other members of the committee are Ms. Hui Lai Yam and Mr. Gao Zhikai. Mr. Gao Zhikai and Ms. Hui lai Yam resigned as the members of audit committee on 12 April 2019 and 15 April 2019 respectively. Immediately after the resignation of Mr. Gao Zhikai and Ms. Hui Lai Yam, and as at the date of the announcement dated 15 April 2019, since the number of members of the Audit Committee is less than three, the Company is not in compliance with Rule 5.28 of the GEM Listing Rules. On 24 April 2019, Mr. Zhu Tianxiang was appointed as a members of audit committee.

The audit committee had conducted a meeting and reviewed the Group's audited results for the year ended 31 December 2018 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 2018, save for the disclosure in the announcement of the Company dated 11 January 2019, 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 2018.

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

Additional Resumption Guidance

On 3 April 2019, the Company received another letter from the Stock Exchange, pursuant to which the Stock Exchange set out the following additional resumption guidance:

- publish all outstanding financial results and address any audit modifications.

In the same letter dated 3 April 2019, the Stock Exchange indicated that the Stock Exchange may modify the resumption conditions/guidance that have been given and/or give further guidance if the situation changes.

For additional details, please refer to the paragraph entitled "Update On Listing Status" in this section of the report, and to the announcement of the Company dated 9 April 2019.

Legal Cases

Civil loan dispute lawsuit between the Company and Harbour Company

In relation to the civil loan dispute lawsuit between the Company and Harbour Company, upon the inquiry of the Chinese lawyer of the Company to the Beijing Court of China in March 2019, the Beijing Court of China has not named the Company as the person subject to enforcement.

Seizure of the Company's property in Jilin City

Upon inquiry at the Jiaohe People's Court of Jilin Province ("Jiaohe Court of China") in February 2019, the Company found that the property in Jilin City under the Company's name ("Jilin City Property of the Company") has been seized by Jiaohe Court of China.

According to the Company's inquiries so far, the background of the above case is as follows:

The case stemmed from that Jilin Gao Ke Mushroom Industry Development Co., Ltd. (吉林省高科食用菌產業有限公司) ("Gao Ke"), an affiliate of the original shareholder and the original de facto controller of the Company ("original shareholder of the Company") borrowed from Jiaohe State-owned Assets Management Co., Ltd. (蛟河市國有資產經營公司) ("State-owned Assets Company"), and the borrowing was guaranteed by the Company. Gao Ke still owes the State-owned Assets Company 10 million yuan in principal and related interest. On 13 June 2017, the State-owned Assets Company applied to the Jiaohe Court of China for enforcement on the basis of the (2014) JZMSZZ No. 37 Paper Of Civil Mediation issued on 21 April 2014. The Jiaohe Court of China seized the Company's Jilin City Property of the Company accordingly.

The debt was not disclosed when the original shareholder of the Company transferred its shares in the Company to the current shareholder of the Company in 2016. According to the agreement for the transfer of the shares of the Company at that time, the debt should be borne by the original shareholder of the Company.

On 9 August 2018, Jilin Shangpin Blueberry Enzyme Biotechnology Co., Ltd. (吉林尚品藍莓酵素生物科技有限責任公司) ("Technology Company"), an affiliate of the original shareholder of the Company, issued a Representation to the State-owned Assets Company and a Letter of Commitment to the Company, representing that the debts and corresponding liabilities should be borne by the Technology Company and ensuring that the case would not cause any negative impact on the normal operation and market credibility of the Company.

Jiaohe Court of China has not previously served any relevant papers on the case on the Company. At present, the Company is further following up on the case, and seeking to lift the seizure of Jilin City Property of the Company.

The above-mentioned seizure of Jilin City Property of the Company only restricts the usage of the Property for transfer purposes. Therefore, the above-mentioned seizure does not have any significant impact on the Company's business operation, financial situation and solvency.

For details, please refer to the announcement of the Company dated 26 March 2019.

Resignation of independent non-executive directors and insufficient number of independent non-executive directors

Mr. Gao Zhikai ("Mr. Gao") has resigned as an independent non-executive director of the Company, with effect from 12 April 2019 due to his other business commitments. Mr. Gao has also ceased to the chairman of the remuneration committee (the "Remuneration Committee") and a member of each of the audit committee (the "Audit Committee") and nomination committee (the "Nomination Committee") of the Company with effect from 12 April 2019.

Ms. Hui Lai Yam ("Ms. Hui") has resigned as an independent non-executive director of the Company, with effect from 15 April 2019 due to her other business commitments Ms. Hui has also ceased to be a member of each of the audit committee (the "Audit Committee") and nomination committee (the "Nomination Committee") of the Company with effect from 15 April 2019.

Immediately after the resignation of Mr. Gao and Ms. Hui, and as at the date of the announcement dated 15 April 2019,

(1) since the number of independent non-executive Directors are less than three and represent less than one-third of the Board, the Company is not in compliance with Rules 5.05(1) and 5.05(A) of the GEM Listing Rules;

(2) since the number of members of the Audit Committee is less than three, the Company is not in compliance with Rule 5.28 of the GEM Listing Rules;

(3) since the Remuneration Committee is not chaired by an independent non-executive director and does not comprise of a majority of independent non-executive Directors, the Company is not in compliance with Rule 5.34 of the GEM Listing Rules; and

(4) since the Nomination Committee does not comprise of a majority of independent non-executive Directors, the Company is not in compliance with code provision A.5.1 of the Corporate Governance Code.

For details, please refer to the announcement of the Company dated 15 April 2019.

Appointment of independent non-executive director
Mr. Zhu Tianxiang has been appointed as an independent non-executive director of the Company with effect from 24 April 2019 until the date of the next annual general meeting of the Company. Mr. Zhu has also been appointed as the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 24 April 2019 until the date of the next annual general meeting of the Company.

For details, please refer to the announcement of the Company dated 24 April 2019.

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 2018.

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, 2017 and 2018.

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
Fang Yao
Chairman

Shenzhen, the PRC
29 April 2019

As at 31 December 2018, the turnover was approximately RMB31,925,000 (2017: RMB17,080,000); the gross profit was approximately RMB2,439,000 (2017: RMB863,000), and the overall gross profit margin was approximately 7.64%; other income decreased by approximately 75.43% from approximately RMB5,670,000 to approximately RMB1,393,000, mainly due to the decrease in imputed interest income; the decrease in gain arising from changes in the fair value less cost to sell of biological assets was approximately 65.34% to approximately RMB1,079,000 (2017: approximately RMB1,784,000); the gain arising from changes of fair value of the investment property increased by approximately 93.07% to approximately RMB101,000 (2017: RMB7,000); the impairment loss of intangible assets increased by 100% to approximately RMB1,483,000; the reversal of impairment loss of trade receivables was RMB1,794,000 (2017: impairment loss RMB15,473,000); the impairment loss of other receivables was approximately RMB5,650,000 (2017: RMB20,000,000) and the impairment loss was reduced by 71.75%; the litigation liabilities recognised was approximately RMB54,908,000, which are provisions made for the Jiaohe litigation and the Haigang litigation; as the seller of the school bus and Beidou monitoring system failed to perform the contract, the Group was unable to confirm whether the seller was able to refund the full deposit and the impairment loss of the paid deposit was RMB34,500,000; the research and development cost is approximately RMB5,980,000, mainly used for the research and development of Beidou Software. General, administrative and other operating expenses decreased by 56.76% to approximately RMB18,899,000 (2017: RMB29,627,000), mainly due to the company's streamlined structure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2018, the Group had total assets of approximately RMB111,314,000 which were financed by current liabilities of approximately RMB78,072,000, long-term liabilities of approximately RMB22,500,000, shareholders' deficit of approximately RMB4,601,000 and non-controlling interests' deficit of approximately RMB6,462,000.

The Group generally services its debts primarily through cash generated from its operations. As at 31 December 2018, the Group had cash and bank balances of approximately RMB6,413,000.

As at 31 December 2018, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 46%, so the Directors believe that the Group does not have any liquidity problem. The asset- liability ratio of the Group defined as a ratio between total debts and total assets was 140%, which the Directors believe is of a healthy standard.

BORROWINGS

As at 31 December 2018, the long-term borrowings of the Group amounted to approximately RMB22,500,000 (31 December 2017: 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 2018, total heads of staff was 11 (2017: 33), payroll costs of the Group for the year ended 31 December 2018 amounted to RMB3,428,000 (2017: RMB6,593,000). 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 2018, the Group did not have any significant investment.

DISPOSAL OF MAJOR ASSETS

As at 31 December 2018, the Group did not have any disposal of major assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2018, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

SEGMENT INFORMATION

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

CHARGES ON ASSETS

As at 31 December2018 and 2017, 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 2018 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, Group did not have any material contingent liabilities.

DIRECTORS

Executive Directors

Ms. Cui Bingyan (Ms. Cui), aged 45, 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. Fang Yao (Mr. Fang), aged 36, obtained a bachelor's degree in computer application technology education from the Vocation and Technical College of Harbin Institute of Technology (哈爾濱工業大學) in 2006. He had been a customer service specialist of the sales department of Shenzhen Longyuan Villa Industrial Development Co., Ltd.* (深圳市龍園山莊實業發展有限公司) from July 2006 to February 2010. From March 2010 to September 2017, he was the deputy director of the general office of Shandong Ruijing Properties Co., Ltd.* (山東瑞境置業有限公司). Since October 2017, he has been the general manager assistant of Shenzhen Longyuan Villa Industrial Development Co., Ltd.* (深圳市龍園山莊實業發展有限公司).

Mr. Guo Aiqun (Mr. Guo), aged 49, 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. From January 2016 to May 2017, Mr. Guo served as a non-executive Director of the Company.

Non-executive Directors

Mr. Shi Peng (Mr. Shi), aged 43, 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. Cao Yang (Mr. Cao), aged 39, 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. Gao Zhikai (Mr. Gao), aged 57, 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 an independent non-executive director of E-Commodities Holdings Limited (stock code: 1733), was a non-executive director of Huanxi Media Group Limited (stock code: 1003) from 2 September 2015 to 15 August 2018, and the shares of both are listed on the Main Board of the Stock Exchange.

Ms. Hui Lai Yam, aged 49, has worked in the accounting industry for 25 years. She graduated from Xiamen University in Accounting. Ms. Hui is a Certified Dealmaker endorsed by the China Mergers and Acquisition Association.

Mr. Chen Youfang (Mr. Chen), aged 27, 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.From January 2016 to May 2017, Mr. Chen served as an independent non-executive Director of the Company.

Mr. Zhu Tianxiang, aged 46, graduated from the School of Accountancy of Jiangxi College of Finance and Economics with a degree in international accounting and securities investment. Mr. Zhu has extensive experience in financial management and possesses professional qualification in accounting. He served as a manager of financial department in various companies from August 1994 to July 2002. From December 2004 to June 2008, Mr. Zhu served as a senior management member, a member of the president office, the chief duty compliance officer and the vice president of Founder Securities Limited. Subsequently, Mr. Zhu occupied various important positions in Credit Suisse Founder Securities Limited such as financial controller and secretary to the board. In addition, Mr. Zhu also served as the group general manager of Shenzhen Dasheng Agricultural Group Co., Ltd.* (深圳市大生農業集團有限公司). Mr. Zhu once served as a director and general manager of Shangdong Jiangquan Company Limited* (山東江泉股份有限公司) and a non-executive director of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (formerly known as Shanghai Tonva Petrochemical Co., Ltd.) (Hong Kong listed company stock code: 1103). Mr. Zhu is currently an executive director of Sino Energy International Holdings Group Limited (Hong Kong listed company stock code: 1096).

SUPERVISORS

Ms. Lin Xiarong (Ms. Lin), aged 37, has worked in the accounting industry for approximately 11 years. Since 2009, she has been serving as the financial manager of Shenzhen Longyuan Shanzhuang Industrial Development Company Limited* (深圳市龍園山莊實業發展有限公司). Ms. Lin is a certified senior accountant accredited by the International Profession Certification Association. From 2004 to 2008, Ms. Lin was an accountant with Shenzhen Longyuan Shanzhuang Property Management Company Limited* (深圳市龍園山莊物業管理有限公司). Ms. Lin graduated from Shenzhen University in Business Administration in 2005.

Ms. Li Li (Ms. Li), aged 27, obtained a bachelor's degree in broadcasting and hosting art from the School of Journalism and Communication at the Tianjin Normal University (天津師範大學新聞傳播學院) in 2014. From July 2011 to April 2012, she interned as a story radio anchor at the Tianjin Radio and Television Station (天津人民廣播電臺). From May 2012 to September 2012, Mr. Li was a guest host of The Travel Channel (旅遊衛視). From October 2012 to February 2015, she was an on-screen reporter for "The Chinese World*華人世界" and "Hakka Walk* (客家足跡行)" on CCTV-4 and the host of "Foreigners in China* (外國人在中國)". From March 2015 to March 2016, she was the project manager at China Media Capital (華人文化產業投資基金) and Shangzhong Film and Television Co., Ltd.* (尚眾影視). From April 2016 to April 2017, Ms. Li was the assistant general manager at CEI Cloud Data Storage Center* (中經雲數據中心). Since May 2017, Ms. Li has been an entrepreneur in channel and business development, resources integration, financing and project management.

Mr. Zhao Haitao (Mr. Zhao), aged 44, studied coal mine mechanical electronics and graduated from the Shanxi Yanbei Coal Industrial School (山西省雁北煤炭工業學校) in 1995. From 1997 to 1998, Mr. Zhao worked at the Upper Shenjian coal gathering station (上深澗煤炭集運站). From 1998 to 2000, he worked at the Qinhuangdao office of Shanxi Coal Sales Group Datong Co., Ltd.* (山西煤炭運銷集團大同有限公司). From 2000 to 2004, Mr. Zhao worked at the Qinhuangdao branch of Shanxi Jinhua Coal Transport and Marketing Co., Ltd.* (山西晉華煤炭運銷有限公司). Since 2004, Mr. Zhao has been a shareholder and supervisor of Qinhuangdao City Zhaoyu Materials Co., Ltd.* (秦皇島市兆宇物資有限責任公司).

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 2018, 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 2018 and has great confidence in the future of the Group.

By Order of the Supervisory Committee
Lin Xiarong
Chairman

Shenzhen, the PRC
29 April 2019

INTRODUCTION

Subject to the deviations 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

As at 31 December 2018, the Board consists of 3 executive Directors, 2 non-executive Directions and 3 independent non-executive Directors:

Executive Directors

Cui Bingyan
Fang Yao (Appointed on 15 June 2018)
Guo Aiqun (Appointed on 15 June 2018)
Wang Shaoyan (Ceased on 15 June 2018)
Jiang Xiaobin (Ceased on 15 June 2018)

Non-executive Directors

Shi Peng
Cao Yang

Independent non-executive Directors

Gao ZhiKai (Resigned on 12 April 2019)
Hui Lai Yam (Resigned on 15 April 2019)
Chen Youfang (Appointed on 15 June 2018)
Yang Yulin (Resigned on 1 April 2018)

On 24 April 2019, Mr. Zhu Tianxiang was appointed as an independent non-executive director.

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.

No permitted indemnity provision was in force during the Reporting period.

The Company did not purchase appropriate insurance to cover the liabilities in respect of legal action against the Directors, Supervisors and senior management of the Company that may arise out of the corporate activities during the Reporting Period. The Company is negotiating appropriate insurance, which shall be reviewed in an annual basis.

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 19 to 21 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.

During the year under review, 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. Gao Zhikai, Ms. Hui Lai Yam and Mr. Chen Youfang 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. Mr. Gao Zhikai and Ms. Hui Lai Yam resigned as independent non-executive directors on 12 April 2019 and 15 April 2019 respectively. Immediately after the resignation of Mr. Gao Zhikai and Ms. Hui Lai Yam, and as at the date of the announcement dated 15 April 2019, since the number of independent non-executive Directors are less than three and represent less than one-third of the Board, the Company is not in compliance with Rules 5.05(1) and 5.05(A) of the GEM Listing Rules. On 24 April 2019, Mr. Zhu Tianxiang was appointed as an independent non-executive director.

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. Fang Yao 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 2018, a total of 24 Board meetings were held.

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

Directors	Attendance Times
Cui Bingyan	24
Fang Yao (Appointed on 15 June 2018)	14
Guo Aiqun (Appointed on 15 June 2018)	14
Wang Shaoyan (Ceased on 15 June 2018)	2
Jiang Xiaobin (Ceased on 15 June 2018)	1
Shi Peng	17
Cao Yang	21
Gao ZhiKai (Resigned on 12 April 2019)	11
Hui Lai Yam (Resigned on 15 April 2019)	8
Chen Youfang (Appointed on 15 June 2018)	14
Yang Yulin (Resigned on 1 April 2018)	4

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 2018, a total of 1 general meetings were held.

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

Directors	Attendance Times
Cui Bingyan	1
Fang Yao (Appointed on 15 June 2018)	1
Guo Aiqun (Appointed on 15 June 2018)	1
Wang Shaoyan (Ceased on 15 June 2018)	0
Jiang Xiaobin (Ceased on 15 June 2018)	0
Shi Peng	0
Cao Yang	1
Gao ZhiKai (Resigned on 12 April 2019)	1
Hui Lai Yam (Resigned on 15 April 2019)	0
Chen Youfang (Appointed on 15 June 2018)	1
Yang Yulin (Resigned on 1 April 2018)	0

REMUNERATION COMMITTEE

The remuneration committee was established in August 2005. As at 31 December 2018, the chairman of the committee is Mr. Gao Zhikai, an independent non-executive Director, and the other members of the committee are Mr. Shi Peng, a non-executive Director and Mr. Chen Youfang (Appointed on 15 June 2018 to replace Mr. Yang Yulin, who ceased on 1 April 2018), an independent non-executive Director. Mr. Gao Zhikai resigned as the chairman of the remuneration committee on 12 April 2019. Immediately after the resignation of Mr. Gao Zhikai, and as at the date of the announcement dated 15 April 2019, since the Remuneration Committee is not chaired by an independent non-executive director and does not comprise of a majority of independent non-executive Directors, the Company is not in compliance with Rule 5.34 of the GEM Listing Rules. On 24 April 2019, Mr. Zhu Tianxiang was appointed as the chairman of the remuneration committee.

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 2018. Details of the attendance of the meeting of the remuneration committee are as follows:

Members Attendance Times	
Gao ZhiKai (Resigned on 12 April 2019)	1
Shi Peng	0
Chen Youfang (Appointed on 15 June 2018)	1
Yang Yulin (Resigned on 1 April 2018)	0

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. As at 31 December 2018, the chairman of the committee is Mr. Fang Yao (Appointed on 15 June 2018 to replaced Mr. Wang Shaoyan, who ceased on 15 June 2018), an executive Director, and the other members of the committee are Mr. Gao Zhikai and Ms. Hui Lai Yam (Appointed on 15 June 2018 to replaced Mr. Yang Yulin, who resigned on 3 April 2018), 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. Mr. Gao Zhikai and Ms. Hui lai Yam resigned as the members of nomination committee on 12 April 2019 and 15 April 2019 respectively. Immediately after the resignation of Mr. Gao Zhikai and Ms. Hui Lai Yam, and as at the date of the announcement dated 15 Apirl 2019, since the Nomination Committee does not comprise of a majority of independent nonexecutive Directors, the Company is not in compliance with code provision A.5.1 of the Corporate Governance Code. On 24 April 2019, Mr. Zhu Tianxiang was appointed as a member of nomination committee.

During the year ended 31 December 2018, the committee held 1 meeting.

Members	Attendance Times
Fang Yao (Appointed on 15 June 2018)	1
Gao ZhiKai (Resigned on 12 April 2019)	1
Hui Lai Yam (Appointed on 15 June 2018 and resigned on 15 April 2019)	0
Wang Shaoyan (Ceased on 15 June 2018)	0
Yang Yulin (Resigned on 1 April 2018)	0

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, as at 31 December 2018, the chairman of the committee is Mr. Chen Youfang (Appointed on 15 June 2018 to replace Mr. Yang Yulin, who resigned on 1 April 2018), an independent non-executive Director and the other members of the committee are Mr.Gao Zhikai and Ms Hui Lai Yam, both of them are independent non-executive Directors. Mr. Gao Zhikai and Ms. Hui lai Yam resigned as the members of audit committee on 12 April 2019 and 15 April 2019 respectively. Immediately after the resignation of Mr. Gao Zhikai and Ms. Hui Lai Yam, and as at the date of the announcement dated 15 April 2019, since the number of members of the Audit Committee is less than three, the Company is not in compliance with Rule 5.28 of the GEM Listing Rules. On 24 April 2019, Mr. Zhu Tianxiang was appointed as a member of audit committee.

The audit committee held 6 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance Times
Chen Youfang (Appointed on 15 June 2018)	4
Gao ZhiKai (Resigned on 12 April 2019)	1
Hui Lai Yam (Resigned on 15 April 2019)	4
Yang Yulin (Resigned on 1 April 2018)	1

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2018 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 2018 falls within the following band:

	Number of individuals
RMB0 to RMB833,000	1

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 RMB650,000 and the fees for non-audit services of the Group amounted to approximately RMB130,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors knowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. The statements of the external auditors of the Group, Pan-China (H.K.) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Report of Auditors on pages 30 to 33 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

During the Reporting Period, the Company has established proper risk management and internal control systems. 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 materialism statement or loss. The Board reviews the Group's internal control and risk management systems annually. 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:	12/F, Kam Sang Building, 255–257 Des Voeux Road Central, Hong Kong
Tel.:	+86 0755 8232 9919
Fax:	+852 3020 0233
Email:	information@baytacare.cn

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, 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 2018.

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.

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Baytacare Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 99, which comprise the consolidated statement of financial position as at 31 December 2018, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Incidents of management override

As disclosed in note 26 to the consolidated financial statements, the Group had recognized outstanding litigation liabilities amounting to approximately RMB54,908,000 as at 31 December 2018 (2017: Nil) related to unrecorded financial guarantee provided by the Group and unrecorded loan borrowing incurred by the Group which arose from management override of controls. Due to the occurrence of the aforesaid events giving rise to the litigation liabilities, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether there were any further unrecorded financial liabilities that might have been arisen from further incidents of management override of controls yet to be revealed. Further, we were unable to satisfy ourselves as to the accounting period or periods which the unrecorded liabilities and related losses should be recognized by the Group. There were no other alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence in these respects. These scope limitations also impact on our ability to determine the reliability of the management representations received by us as audit evidence for our audit testing purposes and hence of the audit evidence in general. Any adjustments found to be required may have consequential significant effects on the elements in the consolidated financial statements for the year ended 31 December 2018 and/or the comparative figures for the preceding financial year.

2. Investment properties

As disclosed in note 19 to the consolidated financial statements, the investment properties of the Group have been seized by the relevant court in the Pepole's Republic of China. Accordingly, we have been unable to obtain sufficient appropriate audit evidence in respect of the fair value of the investment properties carried at their fair value of approximately RMB69,800,000 as shown in the consolidated statement of financial position as at 31 December 2018. Consequently, we have not been able to verify the correctness of the fair value gain of investment properties included in the profit or loss for the year ended 31 December 2018. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was fairly stated as at 31 December 2018.

3. Other receivables

Included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 was an impairment loss of RMB5,650,000 recognised for other receivables. As disclosed in note 22 to the consolidated financial statements, the management of the Group has been unable to locate the documentary evidence to support this advance or contact the fund recipient. Accordingly, the management of the Group has been unable to confirm the nature of the advance. The Group has commenced legal actions against the fund recipient for recovery of the advance with interest and cost. Given this circumstance, the Board has recognised a full impairment loss in respect of this advance under other receivable for the year ended 31 December 2018.

4. Related party transactions

As described in part 1 above, the Group's internal procedures did not enable it to properly identify and disclose on a timely basis all material related party transactions that occurred during the respective years. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of related parties and related party transactions presented and disclosed in the consolidated financial statements. Accordingly, we have not been able to satisfy ourselves that all related party balances and transactions have been properly presented and disclosed as required by the Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

5. Materials uncertainties relating to going concern

As described in note 3(b) to the consolidated financial statements, the Group incurred a net loss of RMB114,916,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB41,752,000. The Group's litigation liabilities and long-term borrowings amounted to RMB54,908,000 and RMB22,500,000 as at 31 December 2018 respectively, while the Group maintained cash and cash equivalents of only RMB6,413,000 on the same date.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's plans and measures to mitigate its liquidity pressures and to improve its financial performance as set out in note 3(b) to the consolidated financial statements, including (i) the successful outcome of negotiations with guarantee holder and lender to discharge the litigation liabilities; (ii) to obtain additional new financing and other sources of funding as and when required; and (iii) to implement its operation plans to enhance profitability and control costs and to generate adequate cash flows from operations. The successful outcomes of the abovementioned plans and measures are subject to multiple uncertainties.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 3(b) to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realizable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 5 above might have significant consequential effects on the Group's performances and cash flows for the years ended 31 December 2018 and/or 2017 and the financial position of the Group as at 31 December 2018 and/or 2017 and the related disclosures thereof in the consolidated financial statements.

DISAGREEMENT ABOUT ACCOUNTING TREATMENTS

1. **Non-Compliance with Hong Kong Financial Reporting Standard 9 ("HKFRS 9"), "Financial Instruments" issued by HKICPA**
   The directors of the Company have not performed impairment assessment of the Group's trade and other receivables as at 1 January 2018 according to transition provision of the HKFRS 9 Financial Instruments that is mandatorily effective on 1 January 2018 and recognized any impairment losses accordingly. Any impairment losses recognized against the Group's trade and other receivables would decrease the net assets and equity of the Group as at 1 January 2018 and hence the Group's performance and cash flows for the year ended 31 December 2018.

2. **Provision and liabilities arising from litigations**
   As disclosed in note 26 to the consolidated financial statements, the Group's outstanding litigation liabilities amounting to approximately RMB54,908,000 as at 31 December 2018 related to unrecorded financial guarantee provided by the Group and unrecorded loan borrowing incurred by the Group in respect of litigations which were attributable to events and transactions which occurred in preceding financial years but discovered by the Company in 2018. However, these liabilities were recognised in the consolidated financial statements for the year ended 31 December 2018 only without instituting any prior year adjustments to restate the prior years' consolidated financial statements in accordance with the Hong Kong Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.

   Even had there been no matters as described above in the Basis for Disclaimer of Opinion section which precluded us from expressing an opinion on the consolidated financial statements, our opinion would have been qualified for these disagreements.

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

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

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 RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report 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. However, due to the potential interaction of the uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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 April 2019

	Note	2018 RMB'000	2017 RMB'000
Revenue	6	**31,925**	17,080
Cost of sales		**(29,486)**	(16,217)
Gross profit		**2,439**	863
Other income	7	**1,393**	5,670
Gain arising from changes of fair value less costs to sell of biological assets	21	**1,079**	1,784
Gain arising from changes of fair value of investment properties	19	**101**	7
Impairment loss of intangible assets	16	**(1,483)**	–
Reversal of impairment loss/(impairment loss) of trade receivables	22	**1,794**	(15,473)
Impairment loss of other receivables	22	**(5,650)**	(20,000)
Reversal of impairment loss of other receivables	22	**1,000**	–
Impairment loss of Fu Man Shan Zhen Receivable	22	**–**	(31,018)
Litigation liabilities recognised	26	**(54,908)**	–
Impairment loss of deposit paid for acquisition of property, plant and equipment	20	**(34,500)**	–
Research and development cost		**(5,980)**	–
General, administrative and operating expenses		**(18,899)**	(29,627)
Finance costs	8	**(492)**	(626)
Loss before income tax expense	9	**(114,106)**	(88,420)
Income tax expense	10	**(810)**	–
Loss for the year		**(114,916)**	(88,420)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
– Surplus on properties transferred from property, plant and equipment and land use right to investment properties		**–**	25,058
– Deferred tax charge on revaluation properties transferred from property, plant and equipment and land use right to investment properties		**–**	(14,533)
Other comprehensive income for the year		**–**	10,525
Total comprehensive expense for the year		**(114,916)**	(77,895)
(Loss)/profit for the year			
– Owners of the Company		**(115,404)**	(73,596)
– Non-controlling interests		**488**	(14,824)
		(114,916)	(88,420)
Total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		**(115,404)**	(63,071)
– Non-controlling interests		**488**	(14,824)
		(114,916)	(77,895)
Dividends	11	**–**	–
Loss per share	12		
Basic		**(13.45) cents**	(8.58) cents
Diluted		**N/A**	N/A

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-Current Assets			
Intangible assets	16	**4,653**	6,606
Land use rights	17	**–**	–
Property, plant and equipment	18	**541**	1,732
Investment properties	19	**69,800**	69,699
Deposit paid for acquisition of property, plant and equipment	20	**–**	35,487
		74,994	113,524
Current Assets			
Biological assets	21	**24,705**	27,229
Trade and other receivables – current portion	22	**5,202**	16,234
Cash and bank balances	23	**6,413**	919
		36,320	44,382
Total assets		**111,314**	157,906
Less: Current liabilities			
Trade and other payables	24	**18,520**	10,558
Contract liabilities	25	**2,305**	–
Litigation liabilities	26	**54,908**	–
Amount due to a director	27	**2,339**	–
		78,072	10,558
Net Current (liabilities)/assets		**(41,752)**	33,824
Non-Current liabilities			
Long-term borrowings	28	**22,500**	22,500
Deferred tax liabilities	29	**15,343**	14,533
		37,843	37,033
Net (liabilities)/assets		**(4,601)**	110,315
Capital and Reserves			
Share capital	30	**85,805**	85,805
Reserves		**(83,944)**	31,460
Total Equity Attributable to Owners of the Company		**1,861**	117,265
Non-controlling interests		**(6,462)**	(6,950)
Total (deficit)/equity		**(4,601)**	110,315

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 29 April 2019 and signed on behalf of the Board by:

Cui Bing Yan
Director

Fang Yao
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 2018

	Attributable to Owners of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Properties revaluation reserve**	**Statutory reserve**	**Accumulated losses**	**Subtotal**	**Non-controlling interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As 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 and as at 1 January 2018	85,805	102,618	11,326	18,459	9,685	(110,628)	117,265	(6,950)	110,315
(Loss)/profit for the year	–	–	–	–	–	(115,404)	(115,404)	488	(114,916)
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–
Total comprehensive (expense)/income for the year	–	–	–	–	–	(115,404)	(115,404)	488	(114,916)
As at 31 December 2018	85,805	102,618	11,326	18,459	9,685	(226,032)	1,861	(6,462)	(4,601)

	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax expense	**(114,106)**	(88,420)
Depreciation of property, plant and equipment	**313**	1,456
Amortisation of intangible assets	**470**	470
Amortisation of land use right	**–**	144
Interest on long-term borrowings	**492**	626
Gain on change in fair value of investment properties	**(101)**	(7)
Gain on change in fair value less costs to sell of biological assets	**(1,079)**	(1,784)
Loss on disposal of property, plant and equipment	**1,865**	320
Gain on disposal of a subsidiary	**(396)**	–
Impairment loss of intangible assets	**1,483**	–
Impairment loss of Fu Man Shan Zhen Receivable	**–**	31,018
(Reversal of impairment loss)/impairment loss of trade receivables	**(1,794)**	15,473
Impairment loss of other receivables	**5,650**	20,000
Reversal of impairment loss of other receivables	**(1,000)**	–
Impairment loss of deposit paid for acquisition of property, plant and equipment	**34,500**	–
Litigation liabilities recognised	**54,908**	–
Imputed interest income	**–**	(4,517)
Other interest income	**–**	(181)
Bank interest income	**(2)**	(20)
Operating loss before movements in working capital	**(18,797)**	(25,422)
Decrease in inventories	**–**	2,657
Decrease in biological assets	**3,603**	832
Decrease/(increase) in trade and other receivables	**8,572**	(1,865)
Increase in trade and other payables	**9,775**	4,307
Increase in amount due to a director	**2,339**	–
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**5,492**	(19,491)
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	**2**	20
Deposit paid for acquisition of property, plant and equipment	**–**	(35,487)
Acquisition of property, plant and equipment	**–**	(423)
Acquisition of intangible assets	**–**	(71)
Advance to a third party	**–**	(5,000)
Refund of Fu Man Shan Zhen Receivable	**–**	295
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**2**	(40,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest on long-term borrowings	**–**	(626)
NET CASH USED IN FINANCING ACTIVITIES	**–**	(626)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,494**	(60,783)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**919**	61,702
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6,413**	919
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**6,413**	919

1. CORPORATE INFORMATION

Baytacare 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 GEM of The Stock Exchange of Hong Kong Limited. The Company suspended its H shares trading on 27 September 2018. 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 34 to the consolidated financial statements.

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

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

In the current year, the Group has applied for the first time the following new and amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs	Annual Improvements to HKFRS 2014–2016 Cycle

Except for the new HKFRSs that have been applied in accordance with the relevant transition provisions in the respective standards which result in changes in accounting policies as described below, the application of other amendments to HKFRSs and the interpretation in the current year has had no material effect on the amounts reported as set out in the consolidated financial statements.

Impact of application on HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets and financial liabilities.

Details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 3(l) and 3(m).

This change in accounting policy had no material impact on financial instruments as the measurement categories for all financial assets and liabilities remained the same.

(ii) Credit loss

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

For further details on the Group's accounting policy for accounting for credit losses, see note 3(m).

The change in accounting policy had no material impact on opening balances as at 1 January 2018.

Impact of application on HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards, including HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 establishes a comprehensive model for determining when to recognize revenue through a 5 step approach:

- 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 should recognise revenue when control of the goods or services transfers to the customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance obligation:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time.

From 1 January 2018 onwards, the Group has adopted the following accounting policies on revenues.

Revenue from trading of chinese herbs and smartphones with Beidou system is recognised when control of the products are transferred at a point in time to customer.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

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 16	Leases[(1)]
HKFRS 17	Insurance Contracts[(3)]
HKAS 28	Long-term interest in Associates and Joint Ventures[(1)]
HKFRS 3	Definition of a Business[(2)]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[(1)]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[(4)]
Amendments to HKAS 23	Uncertainty Over Income Tax Treatments[(1)]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[(1)]

[(1)] Effective for annual periods beginning on or after 1 January 2019.
[(2)] Effective for annual periods beginning on or after 1 January 2020.
[(3)] Effective for annual periods beginning on or after 1 January 2021.
[(4)] Effective date have not yet been determined.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

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.

The directors of the Company anticipate that the application of the HKFRS 16 in the future may have an impact on the Group's consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the 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 Group incurred a net loss of RMB114,916,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB41,752,000. Its litigation liabilities and long-term borrowings amounted to RMB54,908,000 and RMB22,500,000 as at 31 December 2018 respectively, while the Group maintained its cash and cash equivalents of RMB6,413,000 only. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The directors have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

(i) Actively negotiating with guarantee holder and lender, with respect to unrecorded financial guarantee and unrecorded loan borrowing, to discharge the litigation liabilities;

(ii) To obtain additional new financing and other source of funding as and when required; and

(iii) Implementing operation plans to enhance profitability and control costs and to generate adequate cash flows from operations.

Taking into account the Group's cash flow projections covering a period of twelve months from the end of the reporting period prepared by management, and assuming the successful implementation of the above measures, the directors consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis. The audit committee of the Company has no disagreement with the directors on the above position and the going concern basis.

Should the Group be able to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their net realizable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

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. Non-controlling 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

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

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

Buildings	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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(g) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation 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 amortisation 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 recognised in profit or loss in the period in which it is incurred.

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

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

– Breeding rights	18 years
– Computer software	10 years

Derecognition of intangible assets

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

(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 21 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 assets

A) Policy applicable from 1 January 2018

Classification

The Group has the financial assets subsequently measured at amortised cost only. This classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets.

In order for a financial asset to be subsequently measured at amortised cost, its contractual cash flows need to be solely payments of principal and interest on the principal amount outstanding and the Group's business model for managing such financial assets is to collect the contractual cash flows. The Group's financial assets at amortised cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets subsequently measured at amortised cost are determined using the effective interest rate method and are subject to impairment. Gain and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of group of similar financial assets) is primarily derecognized when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognised an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

B) Policy applicable prior 1 January 2018
Classification
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.

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.

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.

(m) Credit losses on financial assets

(i) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk
In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income
Interest income recognised in accordance with note 3(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor; or
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence existed, an impairment loss was determined and recognised for trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

(n) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Contract liability

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(q) 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.

(r) Revenue

Income is classified by the Company as revenue when it arises from the sales of goods and provision of services in the ordinary course of the Company's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) Sales of chinese medicine herb and smartphone

Revenue is recognised when the customer takes possession of and accepts the products. In the comparative period, revenue from sale of chinese herbs and condiments was recognised when the products were delivered to premises specified by customers and passed quality control/examination, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(m)(i)).

(iii) Rental income

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Dividend income

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

(s) 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.

(t) 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 re-assessing 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.

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are charged as an expense when employees have rendered service entitling them to the contributions. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Details of employee benefits are set out in note 13.

(v) Provisions and contingent liabilities

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

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

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

(w) 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.

(x) 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.

(y) 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.

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 2018, the carrying amount of property, plant and equipment was approximately RMB541,000 (2017: RMB1,732,000).

(ii) Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(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 2018, the carrying amount of biological assets was approximately RMB24,705,000 (2017: RMB27,229,000).

(iv) Valuation of investment properties

Investment properties were stated at fair values based on the valuation performed by independent professional valuer. In determining the fair value, the valuer has 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 judgment 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 2018, the carrying amount of investment properties was approximately RMB69,800,000 (2017: RMB69,699,000).

(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 2018, the carrying amount of deferred tax liabilities was approximately RMB15,343,000 (2017: RMB14,533,000).

(vi) Impairment on non-financial assets

As at 31 December 2018, the carrying amount of non-financial assets was approximately RMB5,194,000 (2017: RMB43,825,000) that comprised of property, plant and equipment, deposit paid for acquisition of property, plant and equipment 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 notes 16 to the consolidated financial statements, in respect of the Group's breeding rights, the impairment loss of approximately RMB1,483,000 (2017:Nil) was recognised in the consolidated profit or loss for the year ended 31 December 2018.

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 2017.

These segments are managed separately as each business offers different products and require different business strategies. No operating segments have been aggregated to form the above reportable segments.

(a) Segment results, assets and liabilities

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

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

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

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

Segment liabilities include trade and other payables, short-term and long-term borrowings managed directly by the segments with the exception of intercompany payables and other corporate liabilities.

Information regarding the Group's reportable segments as provided to BoD for the purpose of resources allocation and performance assessment for the years ended 31 December 2018 and 2017 is set out below:

	Medicine business		Chinese herbs business		Trading business		Big data business		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
RESULTS										
Reportable revenue from external customers	**-**	–	**10,847**	946	**-**	16,134	**21,078**	–	**31,925**	17,080
Reportable segment profit/(loss)	**83**	(1,935)	**(783)**	(25,502)	**1,220**	(37,060)	**(111,307)**	(7,256)	**(110,787)**	(71,753)
Unallocated corporate other income									**396**	12
Unallocated corporate expense									**(3,715)**	(16,679)
Loss before income tax									**(114,106)**	(88,420)
Income tax expense									**(810)**	–
Loss for the year									**(114,916)**	(88,420)
ASSETS										
Reportable segment assets	**71,913**	72,780	**32,885**	33,584	**277**	4,223	**5,839**	46,343	**110,914**	156,930
Unallocated corporate assets									**400**	976
Total assets									**111,314**	157,906
LIABILITIES										
Reportable segment liabilities	**46,000**	38,930	**264**	180	**5,661**	5,767	**2,534**	994	**54,459**	45,871
Unallocated corporate liabilities									**61,456**	1,720
Total liabilities									**115,915**	47,591
OTHER SEGMENT INFORMATION										
Interest income	**-**	–	**-**	–	**-**	4	**2**	16	**2**	20
Interest expenses	**(492)**	(626)	**-**	–	**-**	–	**-**	–	**(492)**	(626)
Depreciation and amortization	**(54)**	(1,340)	**(440)**	(440)	**(290)**	(290)	**-**	–	**(784)**	(2,070)
Research and development cost	**-**	–	**-**	–	**-**	–	**(5,980)**	–	**(5,980)**	–
Reversal of impairment loss/(impairment loss) of trade receivables	**-**	–	**-**	–	**1,794**	(15,473)	**-**	–	**1,794**	(15,473)
Gain arising from changes of fair value less costs to sell of biological assets	**-**	–	**1,079**	1,784	**-**	–	**-**	–	**1,079**	1,784
Gain arising from changes-in fair value of investment properties	**101**	7	**-**	–	**-**	–	**-**	–	**101**	7
Impairment loss of Fu Man Shan Zhen receivable	**-**	–	**-**	(31,018)	**-**	–	**-**	–	**-**	(31,018)
Impairment loss of intangible assets	**-**	–	**(1,483)**	–	**-**	–	**-**	–	**(1,483)**	–
Impairment loss of deposit paid for acquisition of property, plant and equipment	**-**	–	**-**	–	**-**	–	**(34,500)**	–	**(34,500)**	–
Income tax expense	**(810)**	–	**-**	–	**-**	–	**-**	–	**(810)**	–
Additions to non-current segment assets during the year	**-**	–	**-**	–	**-**	–	**987**	35,982	**987**	35,982

There were no inter-segment sales in the current year (2017: Nil).

(b) Revenue from major products

	2018 **RMB'000**	2017 RMB'000
Medicine	**–**	–
Chinese herbs	**10,847**	15,293
Condiments	**–**	1,787
Smartphones with Beidou system	**21,078**	–
	31,925	17,080

(c) Geographical information

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**	
	2018	2017	**2018** **RMB'000**	2017 RMB'000
Big data business	**1**	–	**21,078**	–
Chinese herbs business	**1**	–	**7,097**	–
Trading business	**–**	1	**–**	14,347
Trading business	**–**	1	**–**	1,787

6. REVENUE

	2018 **RMB'000**	2017 RMB'000
Disaggregation of revenue from contracts with customers:		
Sales of goods – Chinese herbs	**10,847**	15,293
Sales of goods – Smartphones with Beidou system	**21,078**	–
Sales of goods – Condiments	**–**	1,787
	31,925	17,080

	2018 **RMB'000**	2017 RMB'000
Disaggregated by timing of revenue recognition		
A point in time	**31,925**	17,080

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 16% (2017:11% 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. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Imputed interest income (Note)	**–**	4,517
Interest income from bank deposits	**2**	20
Other interest income	**–**	181
Gains on disposal of a subsidiary	**396**	–
Rental income	**965**	952
Sundry income	**30**	–
Total other income	**1,393**	5,670

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

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowing (Note)	**492**	626

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

9. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

	2018 RMB'000	2017 RMB'000
Auditor's remuneration		
– Audit services	**650**	500
– Other services	**130**	40
Amortisation of land use rights	**–**	144
Amortisation of intangible assets	**470**	470
Cost of inventories sold	**29,486**	15,197
Depreciation of property, plant and equipment	**313**	1,456
Loss on disposal of property, plant and equipment	**1,865**	320
Operating leases rental	**1,965**	4,434
Staff costs		
– Staff salaries and wages	**2,660**	4,684
– Provision for staff and workers' bonus and welfare fund	**465**	1,166
– Contributions to defined contribution retirement scheme	**303**	743

10. INCOME TAX EXPENSE

The income tax expense represents:

	2018 RMB'000	2017 RMB'000
Current tax		
– PRC enterprise income tax ("PRC EIT")	**–**	–
– Hong Kong profits tax	**–**	–
	–	–
Deferred tax (Note 29)	**810**	–
	810	–

The Company and its subsidiaries in PRC are subject to PRC EIT at the rate of 25% (2017: 25%).

The Company's subsidiary in Hong Kong is subject to Hong Kong profits tax, which has been provided at the rate of 8.25% on assessable profits up to HKD2,000,000 and 16.5% on any part of assessable profits over HKD2,000,000 for the year ended 31 December 2018.

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 and Hong Kong profits tax have been made as the Company and the Company's subsidiaries have no taxable profits for the year (2017: Nil).

Reconciliation between loss before income tax expense and income tax expense at the applicable tax rates is as follows:

	2018 **RMB'000**	2017 RMB'000
Loss before income tax expense	**(114,106)**	(88,420)
Expected income tax thereon at applicable income tax rate	**(28,527)**	(22,105)
Tax effect of non-taxable income	**(797)**	(1,577)
Tax effect of non-deductible expense	**23,765**	16,673
Tax effect of tax losses not recognised	**5,559**	7,009
Tax effect of temporary differences	**810**	–
Income tax expense for the year	**810**	–

11. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the following data:

	2018 **RMB'000**	2017 RMB'000
Loss for the year attributable to owners of the Company	**(115,404)**	(73,596)

Weighted average number of ordinary shares	**2018**	2017
Issued ordinary shares at 1 January and at 31 December	**858,054,240**	858,054,240

(b) Diluted loss per share

No diluted loss per share is presented as there are no dilutive potential ordinary shares in issue for each of the years ended 31 December 2017 and 2018.

13. 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% (2017: 13% to 20%) and 8% (2017: 8%) respectively based on the eligible employees' monthly salaries.

(b) Housing fund

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

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

	2018 **RMB'000**	2017 RMB'000
Fees	**1,075**	24
Other emoluments:		
Salaries, allowances and other benefits	**1,050**	837
Retirement scheme contributions	**179**	225
	2,304	1,086

The emoluments of every director and supervisor for the year ended 31 December 2018 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
2018					
Executive directors:					
Fang Yao (Note a)	–	293	–	33	326
Wang Shaoyan (Note b)	–	149	–	41	190
Cui Bingyan	–	500	–	72	572
Guo Aiqun (Note c)	–	108	–	33	141
Jiang Xiaobin (Note d)	–	–	–	–	–
Non-executive directors:					
Cao Yang	150	–	–	–	150
Shi Peng	150	–	–	–	150
Independent non-executive directors:					
Hui Lai Yam (Note e)	295	–	–	–	295
Gao Zhikai (Note f)	295	–	–	–	295
Yang Yulin (Note g)	–	–	–	–	–
Chen Youfang (Note h)	81	–	–	–	81
Supervisors:					
Yang Lixue (Note i)	–	–	–	–	–
Lin Xiarong	50	–	–	–	50
Han Xue (Note i)	–	–	–	–	–
Li Li (Note j)	27	–	–	–	27
Zhao Haitao (Note j)	27	–	–	–	27
	1,075	1,050	–	179	2,304

Notes:

(a) Mr. Fang Yao was appointed as an executive director of the Company on 15 June 2018.
(b) Mr. Wang Shaoyan was ceased as an executive director of the Company on 15 June 2018.
(c) Mr. Guo Aiqun was appointed as an executive director of the Company on 15 June 2018.
(d) Mr. Jiang Xiaobin ceased as an executive director of the Company on 15 June 2018.
(e) Ms. Hui Lai Yam resigned as an independent non-executive director of the Company on 15 April 2019.
(f) Mr. Gao Zhikai resigned as an independent non-executive director of the Company on 12 April 2019.
(g) Mr. Yang Yulin resigned as an independent non-executive director of the Company on 1 April 2018.
(h) Mr. Chen Youfang was appointed as an independent non-executive director of the Company on 15 June 2018.
(i) Ms. Yang Lixue and Ms. Han Xue ceased as supervisors of the Company on 15 June 2018.
(j) Ms. Li Li and Mr. Zhao Haitao were appointed as supervisors of the Company on 15 June 2018.

The emoluments of every director 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 Shaoyan	–	420	–	126	546
Cui Bingyan	–	388	–	91	479
Qin Haibo (Note k)	–	29	–	8	37
Jiang Xiaobin (Note l)	–	–	–	–	–
Non-executive directors:					
Guo Aiqun (Note m)	–	–	–	–	–
Cao Yang	–	–	–	–	–
Shi Peng (Note n)	–	–	–	–	–
Independent non-executive directors:					
Zhao Zhen Xing (Note o)	–	–	–	–	–
Hui Lai Yam	5	–	–	–	5
Chen Youfang (Note p)	–	–	–	–	–
Gao Zhikai (Note q)	5	–	–	–	5
Yang Yulin (Note q)	5	–	–	–	5
Supervisors:					
Meng Shuhua (Note r)	–	–	–	–	–
Yang Lixue	3	–	–	–	3
Lin Xiarong	3	–	–	–	3
Han Xue (Note s)	3	–	–	–	3
	24	837	–	225	1,086

Notes:

(k) Mr. Qin Haibo retired as executive director of the Company on 31 May 2017.
(l) Mr. Jiang Xiaobin was appointed as an executive director of the Company on 31 May 2017.
(m) Ms. Guo Aiqun resigned as a non-executive director of the Company on 31 May 2017.
(n) Mr. Shi Peng was appointed as non-executive director of the Company on 31 May 2017.
(o) Mr. Zhao Zhen Xing retired as an independent non-executive director of the Company on 31 May 2017.
(p) Mr. Chen Youfang resigned as an independent non-executive director of the Company on 31 May 2017.
(q) Mr. Gao Zhikai anf Mr. Yang Yulin were appointed as independent non-executive directors of the Company on 31 May 2017.
(r) Ms. Meng Shuhua retired as a supervisor of the Company on 31 May 2017.
(s) Ms. Han Xue was appointed as a supervisor of the Company on 31 May 2017.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: 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 2018 (2017: Nil).

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, four (2017: two) are directors whose emoluments are disclosed in note 14. The aggregate of the emoluments in respect of the other one (2017: three) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and other benefits	**490**	1,160
Retirement scheme contributions	**15**	150
	505	1,310

The emoluments of each of the five highest paid individuals, including directors, 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 2018 (2017: Nil).

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

16. INTANGIBLE ASSETS

	Breeding rights (Note a) RMB'000	Computer software RMB'000	Total RMB'000
At cost			
As at 1 January 2017	13,240	455	13,695
Additions	–	71	71
As at 31 December 2017, and 1 January 2018 and 31 December 2018	13,240	526	13,766
Accumulated amortization and impairment losses:			
As at 1 January 2017	6,450	240	6,690
Charge for the year	440	30	470
As at 31 December 2017 and at 1 January 2018	6,890	270	7,160
Charge for the year	440	30	470
Impairment loss (Note c)	1,483	–	1,483
As at 31 December 2018	8,813	300	9,113
Net carrying amount:			
As at 31 December 2018	4,427	226	4,653
As at 31 December 2017	6,350	256	6,606

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 Breeding Rights as at 31 December 2018 is approximately 13 (2017: 14) years. During the years ended 31 December 2018 and 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 2018 and 2017, 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 2018
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 of the Breeding Rights 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 24.66%. The recoverable amount of the Breeding rights is based on certain key assumptions, including estimated selling price, future sales volume, plantation and harvest cost estimates and future yield.

At the end of the reporting period, the recoverable amount of the Breeding Rights was below its carrying amount and accordingly, impairment loss of approximately RMB1,483,000 was recognized in the profit or loss for the year.

(d) 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 of the Breeding Rights 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, plantation and harvest cost estimates and future yield.

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

17. LAND USE RIGHTS

	RMB'000
At cost:	
As at 1 January 2017	12,323
Transfer to investment properties	(12,323)
As at 31 December 2017, 1 January 2018 and 31 December 2018	–
Accumulated amortization:	
As at 1 January 2017	3,451
Amortisation for the year	144
Revaluation surplus	(27,557)
Transfer to investment properties (Note 19)	23,962
As at 31 December 2017, 1 January 2018 and 31 December 2018	–
Net carrying amount:	
As at 31 December 2018	–
As at 31 December 2017	–

Notes:

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

(b) During the years ended 31 December 2018 and 2017, no land use rights were pledged as security.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
At cost or valuation:						
As at 1 January 2017	53,963	555	12,572	2,073	3,358	72,521
Additions	–	–	–	–	423	423
Disposal	–	–	–	–	(348)	(348)
Transfer to investment properties (Note 19)	(53,963)	(555)	–	–	–	(54,518)
As at 31 December 2017 and at 1 January 2018	–	–	12,572	2,073	3,433	18,078
Additions	–	914	–	–	73	987
Disposal	–	(914)	–	(1,801)	(211)	(2,926)
As at 31 December 2018	–	–	12,572	272	3,295	16,139
Accumulated depreciation and impairment losses:						
As 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 19)	(20,706)	(405)	–	–	–	(21,111)
As at 31 December 2017 and at 1 January 2018	–	–	12,194	994	3,158	16,346
Charge for the year	–	–	–	284	29	313
Written back on disposal	–	–	–	(1,024)	(37)	(1,061)
As at 31 December 2018	–	–	12,194	254	3,150	15,598
Net carrying amount:						
As at 31 December 2018	–	–	378	18	145	541
As at 31 December 2017	–	–	378	1,079	275	1,732

Note: During the years ended 31 December 2018 and 2017, no buildings were pledged as a securities.

19. INVESTMENT PROPERTIES

	2018 **RMB'000**	2017 RMB'000
At fair value:		
As at 1 January	**69,699**	–
Transfer from property, plant and equipment	**–**	33,407
Transfer from land use rights	**–**	36,285
Gain arising from change in fair value	**101**	7
As at 31 December	**69,800**	69,699

Notes:

(a) During the year ended 31 December 2017, 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) As a result of the Jiaohe litigation (Note 26), the Group's investment properties have been seized by the relevant court in the PRC. The seizure restricts the usage of investment properties for transfer purposes.

(c) 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 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.

(d) 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 31/12/2018 RMB'000**
Recurring fair value measurement				
Investment properties	–	–	69,800	69,800

	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 years ended 31 December 2018 and 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 2018 and 2017, the Group's investment properties were appraised by adopting a combination of market approach 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	RMB2,238–RMB4,249 (2017: RMB2,156/m^2–RMB4,276/m^2) per square metre
		Useful life residue rates	56%–68% (2017: 58%–69%)
		On-site inspection residue rate	55%–60% (2017: 55%–60%)

(iii) As at 31 December 2018 and 2017, no investment properties were pledged as a security.

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

	2018 RMB'000	2017 RMB'000
Deposit paid for:		
– Acquisition of Beidou central monitoring system and school bus (Note)	**34,500**	34,500
– Leasehold improvement	**–**	987
	34,500	35,487
Less: Impairment	**(34,500)**	–
As at 31 December	**–**	35,487

Movements of impairment:

	2018 RMB'000	2017 RMB'000
Balance at beginning of the year	**–**	–
Impairment	**34,500**	–
Balance at end of the year	**34,500**	–

Note:

For the purpose of the development of Beidou School Bus project in 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 counterparties fail to deliver the Beidou School Bus and System to the Company.

Due to the vendors of the school buses and Beidou monitoring system were unable to deliver 100 school buses and to provide the monitoring system for the school buses on or before 25 November 2018 (the first delivery date), the Company had terminated the acquisition agreement in accordance with applicable laws and the terms of the acquisition agreement. The Company has taken legal action against the vendors to claim the refund of deposit and penalty for the breach of their respective obligations under acquisition agreement.

As the Group was unable ascertain whether the vendors have ability to refund the whole deposit, the management of the Group concluded that the deposit was credit-impaired and full impairment loss was recognized during the year.

21. BIOLOGICAL ASSETS

	2018 RMB'000	2017 RMB'000
As at 1 January	**27,229**	26,278
Decrease due to harvest (Note (i))	**(3,603)**	(833)
Gain arising from change in fair value less costs to sell (Note(ii))	**1,079**	1,784
As at 31 December	**24,705**	27,229

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**	
	2018 '000	2017 '000	**2018 RMB'000**	2017 RMB'000
Chinese herbs – Underground Ginsengs (matured)	**10**	3	**3,603**	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**	
	2018 '000	2017 '000	**2018 RMB'000**	2017 RMB'000
Chinese herbs – Underground Ginsengs (matured)	**126**	133	**24,705**	27,229

As at 31 December 2018, no biological assets had been pledged as security (2017: 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":

31/12/2018	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Fair value as at 31/12/2018 RMB'000**
Recurring fair value measurement				
– Biological assets	**–**	**24,705**	**–**	**24,705**

31/12/2017	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				
– Biological assets	–	27,229	–	27,229

There were no transfers into or out of Level 2 during the years ended 31 December 2018 and 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) Valuation techniques and inputs used in Level 2 fair value measurement

The fair value measurement of biological assets is determined using market comparison approach by reference to recent market prices of comparable matured produces in local market on an average basis using market data which is publicly available.

22. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables (Note (i))	**16**	1,067
Fu Man Shan Zhen receivable (Note (ii))	**–**	–
Prepayment and other receivables (Note (iii))	**5,186**	15,167
Total trade and other receivables	**5,202**	16,234

Notes:

(i) Trade receivables

Trade receivables at the end of the reporting period mainly comprise amounts receivable from sales of Chinese herbs. 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.

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 due diligence investigation. In determining the length of the credit term extended to any specific customer, the Group will consider the reputation of the customer, length of business relationship with the customer and its past payment record.

The ageing analysis of trade receivables presented based on the invoice date is as follows:

	2018 RMB'000	2017 RMB'000
0–30 days	**–**	1,051
31–60 days	**–**	–
61–90 days	**–**	–
91–180 days	**–**	9,193
181–365 days	**–**	6,280
Over 365 days	**17,908**	4,229
Total trade receivables	**17,908**	20,753
Less: Impairment loss	**(17,892)**	(19,686)
Total trade receivables, net of impairment loss	**16**	1,067

Movements of impairment loss:

	2018 **RMB'000**	2017 RMB'000
Balance at beginning of the year	**19,686**	4,213
Impairment loss	**–**	15,473
Reversal of impairment loss	**(1,794)**	–
Balance at end of the year	**17,892**	19,686

Impairment assessment under HKFRS 9 for the year ended 31 December 2018
The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. For certain trade receivables for which the counterparties failed to make repayments demanded, the Group considered that they were defaulted and made 100% provision ("default receivables"). However, due to the balance of defaulted receivables before impairment loss RMB16,000 was immaterial, impairment loss was not recognized in profit or loss during the year.

Impairment assessment under HKAS 39 for the year ended 31 December 2017
Included in trade receivables are debtors with carrying amounts of approximately 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.

(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 initial 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 Company concluded that the recoverability of the Fu Man Shan Zhen Receivable was remote and full impairment loss were recognised during the year.

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

	2018 **RMB'000**	2017 RMB'000
Balance at beginning of the year	**–**	26,796
Imputed interest income during the year	**–**	4,517
Repayment during the year	**–**	(295)
Impairment losses	**–**	(31,018)
Balance at end of the year	**–**	–

(iii) Prepayment and other receivables

	2018 **RMB'000**	2017 RMB'000
Prepayments	**2,899**	944
VAT recoverable	**174**	101
Refundable deposits (Note a)	**19,018**	25,491
Advance to staff	**372**	2,225
Other receivables (Note b)	**7,373**	6,406
Total prepayment and other receivables	**29,836**	35,167
Less: impairment loss	**(24,650)**	(20,000)
Total prepayment and other receivables, net of impairment loss	**5,186**	15,167

Movements of impairment loss:

	2018 **RMB'000**	2017 RMB'000
Balance at beginning of the year	**20,000**	–
Impairment loss	**5,650**	20,000
Reversal of impairment loss	**(1,000)**	–
Balance at end of the year	**24,650**	20,000

Notes:

(a) As at 31 December 2017, refundable deposits included an amount of RMB20,000,000 for deposit paid to trade supplier. 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 on the latest 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. During the year ended 31 December 2018, the Group recovered RMB1,000,000 from the trade supplier and a reversal of impairment loss of RMB10,000,000 was recognised in profit or loss.

As at 31 December 2017, refundable deposits included an amount of RMB4,500,000 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 refund in the year 2018.

(b) As at 31 December 2018, other receivables included an amount of RMB5,650,000 advanced to a purported third party ("Fund Recipient") without any documentary evidence. The Board has been unable to confirm the nature of the advance. The Group commenced legal action against the Fund Recipient for the recovery of the advance with interest and cost.

Despite the aforesaid legal action, in the opinion of the Board, the advance is credit-impaired and accordingly, a full allowance of RMB5,650,000 has been provided for the year ended 31 December 2018.

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

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**6,413**	919

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% (2017: 0.35%) per annum.

The Group's cash and bank balance of approximately RMB6,274,000 (2017: RMB18,000) 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

	2018 RMB'000	2017 RMB'000
Trade payables	**5,206**	5,206
Payables for PRC statutory contribution	**590**	602
Other taxes payable	**319**	275
Other payables and accruals	**12,405**	4,475
	18,520	10,558

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

	2018 RMB'000	2017 RMB'000
0–1 month	**–**	–
2–6 months	**–**	–
7–12 months	**–**	4,711
Over 1 year	**5,206**	495
Balance at end of the year	**5,206**	5,206

25. CONTRACT LIABILITIES

	2018 RMB'000	2017 RMB'000
Sales of smartphones with Beidou system	**2,205**	–
Sales of Chinese herbs	**100**	–
	2,305	–

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of smartphones with Beidou system

The Group receives 30% of the contract value as deposits from a customer when they signed the sale and purchase agreement. The deposits result in contract liabilities being recognised throughout the period until the customer obtains controls of the smartphones.

Sales of Chinese herbs

The Group receives RMB100,000 as deposits from a customer when they signed the sale and purchase agreement. The deposits result in contract liabilities being recognised throughout the period until the customer obtains controls of the Chinese herbs.

Movements in contract liabilities is as follows:

	RMB'000
Balance as at 1 January 2018	–
Increase in contract liabilities as result of receiving sales deposits during the year	2,305
Balance as at 31 December 2018	2,305

26. LITIGATION LIABILITIES

	2018 RMB'000	2017 RMB'000
Provisions made for		
– Jiaohe litigation (Note a)	**16,738**	–
– Haigang litigation (Note b)	**38,170**	–
	54,908	–

Notes:

(a) On 17 May 2007, the Company provided guarantee to Jiaohe City Finance Bureau of the Jilin Province (the "Lender") in respect of loan amount of RMB20,000,000 for 3 years lent to a company controlled by an ex-shareholder of the Company (the "Borrower"). As the Borrower was unable to repay the outstanding loan and interest ("Outstanding Liabilities"), the Lender had taken legal action against the Company for the repayment of the Outstanding Liabilities. Pursuant to the court order and court mediation issued by the relevant courts in the PRC on 5 December 2013 and on 21 April 2014 respectively, the Company agreed with the Lender to repay the Outstanding Liabilities on or before 31 December 2015 in accordance with the agreed repayment schedule. The Company had paid RMB10,000,000 to the Lender during the year 2015 and thereafter no further payment on the balance of the Outstanding Liabilities. Accordingly, the Lender made application to the court to demand the Company to perform the outstanding repayment obligation on 13 June 2017. Pursuant to the court order issued on 27 April 2018, the Company was ordered to pay to the Lender for outstanding loan amount of RMB10,000,000, outstanding loan interest (according to the loan interest rate as stipulated by Jilin bank since the date of borrowing and legal expenses of RMB87,400 within 10 days ("Litigation Liabilities"). On 9 May 2018, the court seized the investment properties of the Company upon its failure to perform the repayment obligation.

In response to the litigation, the Company has sought legal advice regarding the defense. During the course of investigation, the management of the Company found that the Group's books and records had not recorded any information about the financial guarantee and the repayment of RMB10,000,000 to the Lender. Furthermore, the former management of the Company had not disclosed to the current management concerning the financial guarantee and related litigation. In response to this issue raised by the Board to the former management of the Company, an entity controlled by a member of former management provided a guarantee to the Lender to bear all the Litigation Liabilities of the Company. Based on this guarantee, the Company's legal advisor opined that the Group is not liable for the litigation. Due to the uncertainty as to whether the Company can discharge the litigation liabilities, the Group made provision for the litigation liabilities of approximately RMB16,738,000 in the consolidated financial statements for the year ended 31 December 2018.

(b) On 27 December 2016, the Company entered into a loan agreement with an independent third party ("Lender") to borrow RMB45,000,000 ("Loan") which was repayable on 11 January 2017. The Loan was guaranteed by Mr. Wang Shaoyan (Mr. Wang), the ex-chairman and ex-director of the Company, and the father of Mr. Wang and bore default penalty if the Company was unable to repay the Loan on 11 January 2017. On 12 January 2017, the Company repaid RMB19,500,000 and thereafter no further repayment made on the remainder of the Loan balance. On 17 May 2018, the Lender made application to the relevant court in the PRC to demand the Company to repay the remainder of the Loan balance and default penalty. Pursuant to the court order on 17 August 2018, the Company was ordered to pay to the Lender the Loan balance of RMB25,500,000, default penalty (at the daily rate of 0.065% on RMB25,500,000) and legal expenses of RMB710,833 ("Litigation Liabilities") within 7 days.

Due to Mr. Wang had not informed the management of the Company about the Loan, the Board had not aware of this incident until the Lender filed a complaint to The Stock Exchange of Hong Kong Limited on 16 April 2018. In response to this incident, the Company conducted investigation and found that the Loan principal of RMB45,000,000 and its repayment of RMB19,500,000 was deposited to and repaid by an entity controlled by the father of Mr. Wang. These transactions had not been recorded in the Group's books and records. The Company has sought legal advice on the litigation regarding the defense. Based on the facts and circumstances available to the Company, the legal advisor opined that due to the illegal act of Mr. Wang, Mr. Wang and his father are responsible for the Litigation Liabilities and they have sufficient assets to settle the Litigation Liabilities, therefore, the Group is not liable for the litigation. Due to the uncertainty as to whether the Company can discharge the litigation liabilities, the Group made provision for the litigation liabilities of approximately RMB38,170,000 in the consolidated financial statements for the year ended 31 December 2018.

27. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

28. LONG-TERM BORROWINGS

	2018 RMB'000	2017 RMB'000
After one year but within two years	–	–
After two years but within five years	4,650	–
After five years (Note)	17,850	22,500
	22,500	22,500

Note:

The long-term borrowing with carrying amount of RMB22,500,000 (2017: RMB22,500,000) is unsecured and bears interest at over five years term lending interest rate per annum promulgated by The People's Bank of China discounting 10%. It was granted by Jilin City Finance Bureau ("JCFB") for the purpose of developing Yong Chong Cao Jun Powder Capsule over 20 years. The borrowing is repayable by instalments based on the scheduled repayment dates set out in the agreement until March 2030. The Group's obligation to make the next repayment will be in the year 2022.

29. DEFERRED TAXATION

Deferred tax liabilities

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

	Investment properties	
	2018 RMB'000	2017 RMB'000
As at 1 January	14,533	–
Charge to profit or loss	810	–
Charge to other comprehensive income	–	14,533
As at 31 December	15,343	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.

30. SHARE CAPITAL

	Number of shares	Amount RMB'000
Issued and fully paid:		
Domestic shares of RMB0.1 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	609,654,240	60,965
H shares of RMB0.1 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	248,400,000	24,840
Total as at 31 December 2017 and 31 December 2018	858,054,240	85,805

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.

31. 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 subscription 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.

32. 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 14, is as follows:

	2018 **RMB'000**	2017 RMB'000
Short-term employee benefits	**2,021**	852
Post-employment benefits	**179**	225
	2,200	1,077

(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.

33. 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:

	2018 **RMB'000**	2017 RMB'000
Within one year	**907**	3,838
In the second to fifth year inclusive	**–**	6,492
After five years	**–**	2,021
	907	12,351

Operating lease payments represent rentals payable by the Group for office properties and staff quarters. During the year, the Group agreed with a landlord to terminate a lease of office property with the commitment amount of approximately RMB11,034,000.

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:

	2018 **RMB'000**	2017 RMB'000
Within one year	**1,013**	1,013
In the second to fifth year inclusive	**3,039**	1,013
	4,052	2,026

The investment properties have committed tenants with fixed rental for a term of three 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:

	2018 **RMB'000**	2017 RMB'000
Contracted but not provided for		
– Acquisition of Beidou central monitoring system and school bus	**–**	33,500
– Acquisition of software	**520**	6,500
– Capital contribution to an associate (Note)	**–**	20,000
– Acquisition of leasehold improvement	**–**	229
	520	60,229

Note: The associate has not yet commenced business during the year 2017 and was disposed of during the year 2018.

34. PARTICULARS OF SUBSIDIARIES

(a) Particulars of subsidiaries of the Company as at 31 December 2018 and 2017 are as follows:

Name of Company	Place of incorporation/ operation	Form of legal entity	Registered Capital	Proportion of ownership interest directly held by the Company	Principal activities
Antao County Northeast Tiger Xinxing New Products Co., Limited	The People's Republic of China	Limited liability company	RMB20,000,000	100% (2017:100%)	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% (2017:60%)	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% (2017:100%)	Consultancy services
Baytacare Trading Co., Ltd.	Hong Kong	Limited liability company	HK$1	100% (2017:Nil)	General trading
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	Nil (2017:100%)	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		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
			2018	2017	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 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%	**488**	(14,824)	**(6,462)**	(6,950)

Summarized financial information in respect of the Group's subsidiary that has material noncontrolling 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	
	2018	2017
	RMB'000	RMB'000
Current assets	**260**	3,273
Non-current assets	**17**	1,064
Current liabilities	**(16,432)**	(21,713)
Non-controlling interests	**(6,462)**	(6,950)
Revenue	**2,813**	16,134
Expenses	**(1,593)**	(53,195)
Profit/(loss) for the year	**1,220**	(37,061)
Profit/(loss) attributable to the non-controlling interests	**488**	(14,824)
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 income/(expense) attributable to owners of the Company	**732**	(22,237)
Total comprehensive income/(expense) attributable to the non-controlling interests	**488**	(14,824)
Total comprehensive income/(expense) for the year	**1,220**	(37,061)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow/(outflow) from operating activities	**5,069**	(4,130)
Net cash inflow/(outflow) from investing activities	**123**	(110)
Net cash outflow from financing activities	**(5,184)**	(4,054)
Net cash inflow/(outflow)	**8**	(8,294)

35. 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 2018 and 2017.

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 2018 and 2017 are as follows:

	2018 **RMB'000**	2017 RMB'000
Total liabilities	**115,915**	47,591
Total assets	**111,314**	157,906
Gearing ratio	**104%**	30%

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 **RMB'000**	2017 RMB'000
Financial assets		
Financial assets at amortised costs		
Trade and other receivables	**2,129**	15,189
Cash and bank balances	**6,413**	919
	8,542	16,108
Financial liabilities		
Financial liabilities at amortised costs		
Trade and other payables	**17,611**	9,681
Litigation liabilities	**54,908**	–
Amount due to a director	**2,339**	–
Long-term borrowings	**22,500**	22,500
	97,358	32,181

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade and other payables, amount due to a director, litigation liabilities 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 recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group's operations are in the PRC. The foreign exchange risk of the Group occurred due to the fact that the Group 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 exchange exposure and will consider hedging foreign currency risk should the need arise.

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

	Assets		**Liabilities**	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Hong Kong Dollar	**53**	895	**315**	286

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 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 2018 and 2017.

	2018			2017		
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in loss for the year and accumulated losses RMB'000**	**Increase/ (decrease) in consolidated deficit RMB'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in loss for the year and accumulated losses RMB'000	Increase/ (decrease) in consolidated equity RMB'000
Hong Kong Dollar	**5%**	**13**	**13**	5%	(30)	30
	(5%)	**(13)**	**(13)**	(5%)	30	(30)

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 28 respectively. The management considers the Group's exposure of the bank balances to interest rate risk is not significant as they have a short maturity period. The Group has not used any financial instruments to hedge potential fluctuations on interest rates.

The Group is not exposed to fair value interest rate risk as the Group has no fixed-rate bank deposit and borrowing for the year.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the amount of floating-rate bank balances and long-term borrowing at the end of reporting period was the amount outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2018 would increase/decrease by approximately RMB81,000 (2017: RMB112,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances and long-term borrowing.

(ii) Credit risk management

As at 31 December 2018, 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.

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. The Company does not obtain collateral from customers.

The Group performed impairment assessment under expected credit loss model and applies the simplified approach under HKFRS 9 during the year (2017: incurred loss model) for its trade receivables. As at 31 December 2018, the Group has defaulted receivables of approximately RMB16,000. The Group considered that the amount was immaterial and therefore no impairment loss was recognized during the year.

Other receivables

In order to minimise the credit risk, the management of the Group has closely monitor the debtors to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under expected credit loss model of HKFRS 9 during the year (2017: incurred loss model) individually for other receivables.

As at 31 December 2018, the counterparties of other receivables of approximately RMB5,650,000 has failed to make demanded repayment. The Group considered that they have been defaulted and make full provision.

Bank balances

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.

(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.

2018

	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	**17,611**	**-**	**-**	**-**	**17,611**	**17,611**
Amount due to a director	**2,339**	**-**	**-**	**-**	**2,339**	**2,339**
Litigation liabilities	**54,908**	**-**	**-**	**-**	**54,908**	**54,908**
Long-term borrowings	**1,955**	**1,009**	**7,548**	**20,868**	**31,380**	**22,500**
	76,813	**1,009**	**7,548**	**20,868**	**106,238**	**97,358**

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	9,681	–	–	–	9,681	9,681
Long-term borrowings	1,955	1,006	5,109	24,316	32,386	22,500
	11,636	1,006	5,109	24,316	42,067	32,181

(c) Fair value of financial instruments

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

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

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

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
Non-Current Assets			
Intangible assets		**226**	256
Property, plant and equipment		**524**	669
Investment properties		**69,800**	69,699
Deposit for acquisition of property, plant and equipment		**–**	35,487
Interests in subsidiaries	(i)	**–**	338
		70,550	106,449
Current Assets			
Trade and other receivables		**2,715**	7,548
Cash and bank balances		**2,584**	899
		5,299	8,447
Total assets		**75,849**	114,896
Less: Current liabilities			
Trade and other payables		**11,748**	4,902
Litigation liabilities		**54,908**	–
Amount due to a director		**2,080**	–
		68,736	4,902
Net Current (Liabilities)/Assets		**(63,437)**	3,545
Non-Current liabilities			
Amount due to subsidiaries		**1,283**	1,329
Long-term borrowings		**22,500**	22,500
Deferred tax liabilities		**15,343**	14,533
		39,126	38,362
Net (Liabilities)/Assets		**(32,013)**	71,632
Capital and reserves attributable to owners of the Company			
Share capital		**85,805**	85,805
Reserves	(ii)	**(117,818)**	(14,173)
Total (deficit)/equity		**(32,013)**	71,632

This statement of financial position was approved and authorized for issue by the Board of Directors on 29 April 2019 and signed on behalf of the Board by:

Cui Bing Yan
Director

Fang Yao
Director

Notes:

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

(ii) 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 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 and at 1 January 2018	102,618	11,326	18,459	9,685	(156,261)	(14,173)
Loss for the year	–	–	–	–	(103,645)	(103,645)
Other comprehensive expense for the year	–	–	–	–	–	–
Total comprehensive income/ expense for the year	–	–	–	–	(103,645)	(103,645)
As at 31 December 2018	102,618	11,326	18,459	9,685	(259,906)	(117,818)

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 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 2018, no statutory revenue reserve was transferred into share capital subsequent to the Company's reorganisation to a joint stock limited Company (2017: 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.

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).

Financial Summary

FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Year ended 31 December				
Results	**2018 RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
(Loss)/Profit attributable to owners of the Company	**(115,404)**	(73,596)	225	7,101	(26,708)

Assets and liabilities	**2018 RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**111,314**	157,906	216,961	109,375	108,957
Total liabilities	**(115,915)**	(47,591)	(28,751)	(28,215)	(38,642)
Owners' (deficit)/equity	**(4,601)**	110,315	188,210	81,160	70,315

As at the date of this announcement, the Company's executive directors are Cui Bingyan, Fang Yao and Guo Aiqun; the Company's non-executive directors are Cao Yang and Shi Peng and the Company's independent non-executive directors are Chen Youfang and Zhu Tianxiang.

This announcement, for which the directors of Baytacare Pharmaceutical Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Baytacare Pharmaceutical Co., Ltd.*. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading. This announcement will remain on the "Latest Company announcement" page of the GEM website (www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company (www.baytacare.com).*

The directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.