

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)

**2018 First Quarterly Results Announcement
For the three months ended 31 March, 2018**

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This announcement, for which the directors (the “Directors”) of Baytacare Pharmaceutical Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (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 announcement 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 announcement misleading.*

HIGHLIGHTS

(Unaudited)

- Turnover of the Group for the three months ended 31 March, 2018 was approximately RMB 0 (2017: RMB6,177,000).
- Profit/(loss) attributable to owners of the Company (the “Shareholders”) for the three months ended 31 March, 2018 was approximately RMB(8,343,000) (2017: approximately RMB(6,578,000)).
- Earnings/(loss) per share (the “Shares”) of the Company for the three months ended 31 March, 2018 was approximately RMB(1) cent (2017: approximately RMB(0.8) cent) .
- The Directors do not recommend the payment of any dividend for the three months ended 31 March, 2018 (2017: nil) .

RESULTS (UNAUDITED)

The board of Directors (“Board”) hereby announces the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March, 2018 (the “Period under Review”), together with the comparative figures for the corresponding period of the previous financial year, as follows:

		Three months ended 31 March,	
		2018	2017
	Notes	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	b	-	6,177
Cost of sales		-	(5,558)
Gross profit		-	619
Other revenue	c	243	-
Reversal of Impairment loss of other receivables		1,000	-
Distribution and selling expenses		(293)	(812)
General, administrative and other operating expenses		(9,342)	(6,514)
Operating profit/(Loss)	d	(8,392)	(6,707)
Finance costs		(40)	(101)
Profit/(Loss) before taxation		(8,432)	(6,808)
Taxation	e	-	-
Profit/(Loss) after taxation		(8,432)	(6,808)
Other comprehensive income		-	-
Total comprehensive income/(Loss) attributable to shareholders		(8,432)	(6,808)
Owners of the Company		(8,343)	(6,578)
Non-controlling interests		(89)	(230)

		<u>(8,432)</u>	<u>(6,808)</u>
		RMB	RMB
Earnings/(Loss) per Share-basic	f	<u>(1) cent</u>	<u>(0.8) cent</u>

Notes:

a. Accounting policy and basis of presentation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standard (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and certain fixed assets are stated at fair value.

In the current period, the Company adopted a number of new and revised HKFRSs issued by the HKICPA. The Directors considered the adoption of these HKFRSs had no material effect on the results of the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The principal accounting policies used in the preparation of the unaudited financial statement of the Company for the three months ended 31 March, 2018 are consistent with those used in the audited accounts issued for the year ended 31 December, 2017.

b. Turnover

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

c. Other revenue

	Three months ended 31 March,	
	2018	2017
	<i>RMB '000</i>	<i>RMB '000</i>
Government subsidies	-	-
Rental income	253	-
Others	(10)	-
	<u>243</u>	<u>-</u>

Subsidy income is recognized upon granting of subsidy by the relevant authorities.

d. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following items:

	Three months ended	
	31 March,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses	40	101
Depreciation of Fixed assets	103	411
Amortisation of intangible assets	118	2
Amortisation of land use right	-	61

e. Taxation

The Company was established in the People's Republic of China (the "PRC"). It is subject to enterprise income tax ("EIT") at a rate of 25% and value added tax at a rate of 17%.

The Company provides for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purpose.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f. Earnings/(Loss) per Share

The calculation of basic earnings per Share for a relevant period is based on unaudited profit/(loss) attributable to owners of the Company which is the same as unaudited total comprehensive income/(loss) attributable to owners of the Company during the period under review, divided by the respective weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the three months ended 31 March, 2018 is 858,054,240 (2017: 858,054,240).

No diluted earnings per share were presented as there were no dilutive potential ordinary shares in existence during the relevant periods.

MOVEMENT IN RESERVES

The movements of reserves are as follows:

	Capital Reserve						
	Share premium	Others	Properties revaluation reserve	Statutory revenue reserve	(Accumulated losses)/Retained earnings	Non-controlling interest	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	102,618	11,326	7,934	9,685	(37,032)	7,874	102,405
Total comprehensive income/(Loss) for the period	-	-	-	-	(6,578)	(230)	(6,808)
As at 31 March 2017	102,618	11,326	7,934	9,685	(43,610)	7,644	95,597
As at 1 January 2018	102,618	11,326	18,459	9,685	(110,628)	(6,950)	24,510
Total comprehensive income/(Loss) for the period	-	-	-	-	(8,343)	(89)	(8,432)
As at 31 March 2018	102,618	11,326	18,459	9,685	(118,971)	(7,039)	16,078

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March, 2018 (2017: nil).

BUSINESS REVIEW AND PROSPECTS

Business review

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

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

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

while strengthening the segment of planting, cultivation and sale of Chinese herbs and increasing the development effort on pharmaceutical and Beidou big data, development of health-related big data, healthcare management service and the Internet plus business in the future.

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

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

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

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

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

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

community to provide elderly care, and 3% of the elderly care is from elderly care organization. The community elderly care service is the main supporting measure for home-based care and is the key to achieving the goal set through this policy. Thus, the Company further set the primary business clear direction for the development of community-based home care services.

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

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

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

Beijing Beidoujia Management Consulting obtained seven registration certificates for computer software registration rights during December 2017 and January 2018, which were: Beidou satellite special group location security assistance service system V1.0 (北斗衛星特殊群體位置安全求助服務系統 V1.0), Beidou satellite key vehicle location networking control platform system V1.0 (北斗衛星重點車輛位置

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

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

Serial no.	Product name	Product form	Target users	Major development plan
1	Beidou satellite key vehicle networking control service cloud platform	Industry-specific software	Transportation industry authorities	1. Improve the functions of the system platform, select representative and specific pilot objectives for trial operation and trial services; 2. Take Beidou Emergency Command and Communications(北斗應急指揮通信) as the entry point, focus on the projects of public security, armed police, border defense emergency command and personnel dispatch, and strive to make breakthroughs; 3. Infiltrate the intelligent transportation and cars engaged in tourism, passenger cars of Class 3
			Transportation Industry Supervision Department	
			Other related industry department	
			Transport-related enterprises and institutions	
		Internet SaaS platform	Small and micro enterprises and individual owners	

				and above, and road vehicles for transportation of dangerous chemicals, fireworks, civil explosives (兩客一危) monitoring field through cooperation with relevant smart city integrators; 4. Provide school bus safety monitoring services for self-owned school bus service agencies.
2	" E Jia Loan" financial car loan service internet platform	Internet SaaS platform	third/ fourth / fifth / sixth tiered cities car loan finance companies	<ol style="list-style-type: none"> 1. Complete the system's first iteration of development, conduct internal testing and trial operation, and improve it; 2. With the main objective of chartered companies and pilot counties, develop two or three users of different sizes to test whether the platform functions meet the user's habits and goals, and conduct stress tests, and test the stability and robustness of the platform; 3. Conduct the second iteration of development.
3	" E Jia Pregnancy" online fetal heart monitoring service internet platform	Internet SaaS platform	First and second tiered cities older and second child pregnant women	<ol style="list-style-type: none"> 1. Complete the system's first iteration of development, conduct internal testing and trial operation, and improve it; 2. Select one maternal and child health care hospital in the core urban area of Beijing and provide 100 sets of trial terminal equipment and services for free; 3. Improve the commercial packaging and the local launching scheme, select a high-end office building in the Beijing CBD area for trial promotion; 4. Conduct the second iteration of development.

4	" E Jiakang" Health Management Service System	Industry-specific software	Regional health service enterprises and institutions	Business support service software for pension and health management
5	Beidou Satellite Intelligent Terminal Control Management Software	Exclusive device embedded software	Hydropower station meter reading / oil and gas transmission monitoring	<p>1.Complete the selection of the terminal equipment and the burning of the software, carry out prototype production, testing and various experiments, and apply for the Beidou terminal equipment distributor qualification and 3C;</p> <p>2.Small batch production (about 100 units);</p> <p>3.Conduct local trials in two companies, being Hong Kong Gas(香港燃氣) and Guoxin Energy(國新能源);</p> <p>4.Develop channel distributors and system integrators in the provinces with advanced hydraulic resources, such as Hunan, Hubei, Guizhou and Yunnan.</p>
6	Beidou Satellite Student Location Security Service System	Industry-specific software	Education-related enterprises and institutions	<p>1.Promote 18,000 students safety location service projects in 3 primary schools in Shijiazhuang and Zhumadian, and plan to go online in September 2018 ;</p> <p>2.Focus on promoting the cooperation with Chongqing Mobile Company to form a strategic cooperation agreement, striving for the entries of products into China Mobile's recommended directory, and realizing the year-by-year conversion of users' distribution of Chongqing Mobile School Communications to</p>
		Internet SaaS platform	Channel distributors/agents/system integrators	

				integrated location services; 3.Development and integration with China Mobile's "and-Education" platform.
7	Beidou Satellite Special Group Location Security Assistance Service System	Industry-specific software	Civil Affairs/Special Schools/Hospitals/Pension	1.Cooperate with insurance companies such as Sunshine Insurance to promote the use of elderly security services on the basis of their pension insurance; 2.Promote cooperation with civil affairs departments in various regions to provide safe relief services for empty elderly people and obstacle groups.

For the purpose of the development of Beidou School Bus project in the Shaanxi Province in the PRC, which is part of the development of civilian use of Beidou big data and health related big data, 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 was required to pay 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.

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

(ii) Planting, cultivation and sale of Chinese herbs

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

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

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

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

Breeding and Processing of Traditional Chinese Medicine on the Forest Land

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

(i) Underground Ginseng (林下參)

Ginseng is regarded as “King of Herbs” (百草之王) and is a precious Chinese medicine herbs. There are more than 4,000 years of history of using ginseng. Underground ginseng refers to a method where seeding of ginseng seeds is through manual methods on the mountainous area. Ginseng seeds are grown for 10 to 20 years or above without any human interruption. Underground ginseng can also be called transplanted ginseng. The nutrition effect of underground ginseng can be as good as wild ginseng. In the PRC, breeding of underground ginseng was developed in 1990. At first, transplantation of family ginseng (家參) was developed. In view of the increasing demand for ginseng, seeding of ginseng seeds through manual methods and allow ginseng to grow naturally became the trend. In 2004, PRC Government announced 14 cities or counties in Changbai Mountain areas as place of origin of ginseng and “Changbai Mountain Ginseng” became place of origin for protected products nationally. To better control the quality of “Changbai Mountain Ginseng”, 《關於 振興人參產業的意見》 (Opinion Regarding Reinforcing Ginseng Industry) was introduced in 2012. In the above opinion, the brand “Changbai Mountain Ginseng” has to be reinforced in full gear and through various policies, industry production chain will be reinforced. As such, GAP underground ginseng will be further developed in the near future.

(ii) Platycodon(桔梗)

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

(iii) Undergrowth Ganoderma lucidum(林下靈芝)

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

(iv) Dandelion(蒲公英)

Dandelion, commonly known as mother-in-law man, contains dandelion alcohol, taraxo- cerin, choline,

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

(v) Ginseng(西洋參)

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

(vi) Schisandra (五味子)

Schizandra (北五味子) is a common valuable Chinese medicinal material. *Schisandra chinensis* is nourishing and is the first choice for producing health care products and drugs that are beneficial to brain, can soothe the nerves and regulate the nervous system. Schizandra can also serve as a processing raw material for fruit wines and fruit drinks. Schizandra is a multi-functional, multi-use wild plant with high development and utilization value, a broad application prospect and beneficial in resource conservation. According to on-site investigation, 100-200 kilograms of dry schizandra can be produced. The current market price of dry Schizandra is approximately RMB138.33 per kg. Planting (cultivating) the materials in the Forest Land can enhance taste of product, prolong or shorten harvest time according to market quotations because of less manpower and material resources is required and it can avoid market risk and effectively use forest lands while protecting species resources.

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

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

According to the Research on Local Chinese Medicines Herbs (道地藥材的成因研究) and Research on

Relationship between Local Chinese Medicines Herbs and Environment (道地藥材與環境相關性研究), normally the breeding of Chinese medicine herbs is affected by factors like sunlight, temperature and rainfall. The traditional Chinese herbs materials including underground ginseng, Platycodon (桔梗), Undergrowth Ganoderma lucidum (林下靈芝), Dandelion (蒲公英), Ginseng (西洋參), Schisandra (五味子) etc. bred on the Forest Land is recognized as local Chinese medicine herbs suitable for breeding in Jilin Province by the State and the weather condition is suitable for breeding of underground ginseng.

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

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

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

The market value of ginseng and herbs is highly dependent on, among others, the level of maturity, color, size, appearance, and prevailing market demand. In view of the Group's intention to harvest ginseng and herbs as and when it finds it is the appropriate harvest time for a better market value which could in turn maximise the return to the Group, there had been little harvesting of ginseng and herbs for the financial years of 2013, 2014, 2015, 2016 and 2017 and thus no revenue was generated therein. To achieve this, the Group plans to increase future business income from ginseng and herbs through the following strategies:

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

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

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

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

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

(iii) General trading

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

chemical products; corporate planning; wholesales of chemical products (excluding category 1 precursor chemicals and hazardous chemicals) and electronic equipment. The Board considers that establishing the Trading JV Company promotes further business expansion and diversification of the Company.

(iv) Development, manufacture and sale of medicines

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

During the period under review, due to the reorganization of the company's business, the turnover was approximately RMB 0 (2017: RMB 6,177,000). Distribution and sales expenses were approximately RMB293,000 (2017: RMB812,000), mainly due to the decrease in sales activities. General, administrative and other operating expenses amounted to approximately RMB9,342,000 (2017: approximately RMB6,514,000), mainly due to an increase in the number of staff employed to develop new business. The financial income/expense was approximately RMB 40,000 (2017: approximately RMB 101,000). The total comprehensive income/(loss) attributable to owners of the company was approximately RMB(8,343,000) (2017: approximately RMB(6,578,000)).

Prospects

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

In view of this, the cooperation between the Company and JICI will enable us to have more advanced

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

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

The Directors basically foresee little growth potential of the medication business, and coupled with the fact that the revenue of the medication business is negligible, therefore limiting the choices and fundraising capability of the Company. There is a need to implement the strategy of streamlining the key businesses as an opportunity to improve the financial condition of the Group, so as to improve the prospects of the Group. The company will continue to look for suitable opportunities to sell the assets, which is used in GMP Chinese medicine business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March, 2018, the Group had total assets of approximately RMB150,666,000 which were financed by current liabilities of approximately RMB 26,263,000, long-term liabilities of approximately RMB 22,520,000 and shareholders' equity of approximately RMB 101,883,000.

The Group generally services its debts primarily through cash generated from its operations. The financial position of the Group remains healthy. As at 31 March, 2018, the Group had cash and bank balances of approximately RMB 1,119,000. The Group expects to collect more outstanding accounting receivables back till the end of year. Meanwhile, substantial shareholders of the Company have expressed their intention to provide all necessary financial support to the Group. Taken into consideration of its current financial resources, the Directors believe that the Company shall have adequate fund for its continual operation and development.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March, 2018, none of the Directors, supervisors (the "Supervisors") and the chief executive or their respective associates had interests and short positions in the shares (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Supervisor, as at 31 March, 2018, 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(有限合伙)) (Note 1)	Beneficial owner	398,534,660	65.37	46.44
	Beneficial owner	137,611,830	22.57	16.04
Guo Feng (Note 1)				
	Interest of controlled corporation	31,500,000	5.17	3.67
Wang Yu Qin (Note 2)				
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* (北京悅升投資管理有限責任公司) (Note 3)	Beneficial owner	31,500,000	5.17	3.67
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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責任公司).

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

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

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

As at 31 March, 2018, the 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 Group 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 Group, or had exercised any such right.

COMPETING INTERESTS

During the three months ended 31 March, 2018 and as at the date of this announcement, none of the Directors, Supervisors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in any business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Group. The audit committee comprises Mr. Gao Zhikai and Ms. Hui Lai Yam, both are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's unaudited results for the three months ended 31 March, 2018 and was of the opinion that the preparation of results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

CORPORATE GOVERNANCE CODE

Save as disclosed in this announcement, the Directors considered that to the best of their knowledge and belief, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules during the Period under Review.

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 "Model Code"). The Company has confirmed after making due enquiries with the Directors in accordance with the Model Code, that all the Directors have complied with the standard of dealings and the Model Code in relation to securities transaction by Directors during the three months ended 31 March, 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 and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

1. The board of directors of the Company (the "Board") had found a claim from a third party (the "Third Party") alleging that the Company had an outstanding liabilities of RMB20,000,000 (the "Outstanding liabilities") which remains unsatisfied to the Third Party (the "Alleged Claim"). As the Board was unable to ascertain the genuineness of the Outstanding Liabilities due to the lack of information, the Company has sought legal advice on the Alleged Claim regarding the defense or counterclaim and established a special investigation committee, for the purpose of, among other things, investigating and reporting on the matters and events leading to and/or otherwise relating to the Alleged Claim, and recommending appropriate actions to be taken by the Group. Details are set out in the announcement dated 28 March 2018.

2. The Company received a letter dated 19 April 2018 (the “Letter”) stating the following allegations: (i) a loan of RMB45 million (the “Loan”) was advanced to the Company under a loan agreement executed by Mr. Wang Shaoyan (“Mr. Wang”), an executive Director, in December 2016. According to the Letter, it was purported that the Loan was advanced for a period of 15 days and the Company only repaid RMB19.5 million, and the balance in the sum of RMB25.5 million remains outstanding. As the Board was unable to ascertain the genuineness of the allegations contained in the Letter due to lack of information, a special investigation committee has been established to investigate the veracity of the allegations. For details, please refer to the announcements dated 27 April, 2018 of the Company.

EVENTS AFTER THE REPORTING PERIOD

Change in Director of Functions or Responsibilities

Mr. Wang has been removed from his position as the chairman of the Board (the “Chairman”), a member and the chairman of each of the nomination committee of the Board (the “Nomination Committee”) and the executive committee of the Board (the “Executive Committee”), and as an authorised representative of the Company (the “Authorised Representative”); and suspended his roles and duties as an executive director on 26 April 2018 and 30 April 2018, respectively. For details, please refer to the announcement of the Company dated 26 April 2018, 27 April and 30 April 2018.

Proposed appointment of directors and supervisors

On 30 April 2018, the Board announces the following proposed appointments (the “Proposed Appointments”):

1. Mr. Fang Yao (方耀先生) (“Mr. Fang”) has been nominated as a candidate for election at the annual general meeting of the Company to be held on 15 June 2018 (the “AGM”) as an executive Director;
2. Mr. Guo Aiqun (郭愛群先生) (“Mr. Guo”) has been nominated as a candidate for election at the AGM as an executive Director;
3. Mr. Chen Youfang (陳有方先生) (“Mr. Chen”) has been nominated as a candidate for election at the AGM as an independent non-executive Director;
4. Ms. Li Li (李黎小姐) (“Ms. Li”) has been nominated as a candidate for election at the AGM as a supervisor of the Company and as a shareholder representative supervisor of the Company; and
5. Mr. Zhao Haitao (趙海濤先生) (“Mr. Zhao”) has been nominated as a candidate for election at the AGM as a supervisor of the Company and as an employee representative supervisor of the Company..

For details, please refer to the announcement of the Company dated 30 April, 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
Cui Bingyan
Executive Director

Beijing, the PRC
14 May, 2018

As at the date of this announcement, the Company's executive Directors are Wang Shaoyan, Cui Bingyan and Jiang Xiaobin; the Company's non-executive Directors are Shi Peng and Cao Yang and the Company's independent non-executive Directors are Gao Zhikai and Hui Lai Yam.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the day of its posting and the Company's website at <http://www.northeasttiger.com> from the date of this announcement.

**for identification purpose only*