

# **Jinchi Biotech Ltd.**

## **Consolidated Audited Financial Statements**

**For the six months ended June 30, 2014**

**(Expressed in Euro)**

**XiangYuanYang(2014) Audit No.031**

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## **INDEPENDENT AUDITOR'S REPORT**

XiangYuanYang(2014)Audit No.031

To the Board of Jinchi Biotech Ltd:

We have audited the accompanying financial statements of Jinchi Biotech Ltd ("the Company"), which comprise the statements of financial position, as at June 30, 2014 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the interim consolidated financial statements of the Company. The interim consolidated audited financial statements should be read in conjunction with the Company's consolidated audited financial statements for the year ended December 31, 2013, which include information necessary to understand the Company's business and financial statement presentation, three years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. This responsibility includes: (i) designing, implementing and maintaining internal control which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (ii) selecting and applying appropriate accounting policies; and (iii) making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Those standards require that we comply with Code of Ethics for International Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2014 and its financial performance and its cash flows for the appropriate period, then ended in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB")

Hunan Yuanyang Certified Public Accountants Co., Ltd.

Certified Public Accountant: Jian Yang  
Certified Public Accountant: Yudan Dai

Changsha, Hunan Province, China

September 30 2014

## Jinchi Biotech Ltd.

### Consolidated Statements of Operations and Comprehensive Loss

For the six months ended June 30, 2014 and 2013  
(in Euros)

	For six months period ended	
	June 30, 2014	June 30, 2013
<b>Revenues</b>	€ 371,279	€ 63,394
<b>Cost of goods sold</b>	150,227	38,024
<b>Sales taxes</b>	9,589	1,181
<b>Gross profit</b>	211,463	24,189
General and administrative expenses	177,557	186,561
Selling expenses	24,500	61,474
Professional fees	95,000	-
<b>Operating loss</b>	(85,594)	(223,846)
Other income	7,142	-
Other expenses	(623)	(6,272)
Loss before income taxes	(79,075)	(230,118)
Provision for income taxes	-	-
<b>Loss for the period</b>	(79,075)	(230,118)
<b>Other comprehensive income/(loss)</b>		
Foreign currency translation adjustment	37,392	18,685
<b>Total comprehensive loss</b>	€ (41,683)	€ (211,433)
Loss per share:		
Basic	(0.003)	(0.01)
Diluted	(0.003)	(0.01)
Weighted average number of common shares		
Basic	30,000,000	30,000,000
Diluted	30,000,000	30,000,000

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

## Jinchi Biotech Ltd.

### Consolidated Statements of Cash Flows

For the six months ended June 30, 2014 and 2013  
(in Euros)

	June 30, 2014	June 30, 2013
<b>Cash flows from operating activities</b>		
Cash received from sales of goods or rendering of services	€ 233,399	€ 66,874
Other cash received related to operating activities	14,823	147,658
	248,222	214,533
<b>Cash flows used in operating activities</b>		
Cash paid for goods and service	(171,443)	-
Cash paid to wages and benefits	(57,193)	(37,298)
Taxes paid	(36,715)	(4,558)
Other cash paid related to operating activities	(1,252,917)	(129,646)
	(1,518,268)	(171,502)
<b>Net cash flows (used in) from operating activities</b>	(1,270,046)	43,030
<b>Cash flows used in from investing activities</b>		
Purchase of plant and equipment	(3,423)	(47,275)
<b>Net cash flows used in investing activities</b>	(3,423)	(47,275)
<b>Cash flows from financing activities</b>		
Capital injection	1,464,302	-
Advance from shareholder	95,000	-
Advance to related parties	(183,432)	-
<b>Net cash flows from investing activities</b>	1,375,870	-
Effect of foreign exchange rate changes on cash and cash equivalents	(1,001)	228
<b>Increase (decrease) in cash and cash equivalents</b>	101,400	(4,017)
<b>Cash and cash equivalents, beginning of period</b>	50,402	10,526
<b>Cash and cash equivalents, end of period</b>	€ 151,802	€ 6,509

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

## **Jinchi Biotech Ltd.**

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### **Notes to Interim Condensed Consolidated Financial Statements**

*For the six months ended June 30, 2014*

*(in Euros)*

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## **2. Significant Accounting Policies**

### **Basis of Consolidation**

The interim condensed consolidation financial statements have been prepared in conformity with IFRS, and reflect the accounts and operations of the Company and those of its wholly-owned subsidiaries. The Company also consolidates a Variable Interest Entities ("VIE"), for which it is the primary beneficiary. The primary beneficiary has both (a) the power to direct the activities of the VIE that most significantly affect the entity's economic performance, and (b) the obligation to absorb losses or the right to receive benefits. The Company, through its wholly-owned subsidiary – Zhangjiajie Divine Spring, has determined it as the primary beneficiary of Zhangjiajie Jinchi, the operating company, under the Agreement. As a result, the financial results of Zhangjiajie Jinchi are consolidated under the VIE consolidation model. The Company evaluates its relationship with the VIE on an ongoing basis to ensure that it continues to be the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the three months ended June 30, 2014 are the same as those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013.

Effective January 1, 2014, the Company has applied for the first time the following new and revised IFRSs issued by the IASB and IFRS Interpretations Committee.

Amendments to IFRS 10 Investment Entities

IFRS 12 and IAS 27

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 Levies

The application of those new and revised IFRSs in the current interim period has had no material effect on amounts reported in these interim condensed consolidated financial statements and/or disclosures set out in these interim condensed consolidated financial statements.

## Jinchi Biotech Ltd.

### Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

(in Euros)

### 3. Notes to Significant Accounts on Financial Statements - continued

#### 3) Prepayments

(1) The aged analysis of the current portion of prepayment is listed below:

	June 30, 2014	December 31, 2013
Within 90 days	€ 16,913	€ 8,486
91 - 180 days	5,005	-
181 - 365 days	-	-
Over 1 year	86,931	88,212
	€ 108,849	€ 96,698

(2) No balance of prepayments was held by the Company's shareholder who has five percent (5%) or more voting shares of the Company.

(3) The nature of prepayments is listed as follows:

	June 30, 2014	December 31, 2013
<b>Current</b>		
Deposits for purchase contracts	€ 64,245	€ 65,192
Prepayment for design fees	14,405	14,618
Prepayment for rents	-	8,486
Prepayment for raw materials	30,199	8,402
	€ 108,849	€ 96,698

## Jinchi Biotech Ltd.

### Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

(in Euros)

### 3. Notes to Significant Accounts on Financial Statements – continued

#### 6) Other Current Assets

	June 30, 2014	December 31, 2013
<b>Prepaid professional fee - Legal consulting fee</b>	<b>€ 13,279</b>	<b>€ -</b>

#### 7) Plant and Equipment

Movements in the carrying value of plant and equipment were as follows:

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Total
<i>Cost</i>							
<b>Balance at December 31, 2012</b>	<b>€ 339,387</b>	<b>€ -</b>	<b>€ 75,652</b>	<b>€ 12,665</b>	<b>€ 18,125</b>	<b>€ 1,246</b>	<b>€ 447,075</b>
Additions	299,796	881,306	44,617	-	2,450	-	1,228,169
Effect of foreign currency exchange differences	(11,844)	(19,475)	(2,149)	(195)	(333)	(19)	(34,015)
<b>Balance at December 31, 2013</b>	<b>€ 627,339</b>	<b>€ 861,831</b>	<b>€ 118,120</b>	<b>€ 12,470</b>	<b>€ 20,242</b>	<b>€ 1,227</b>	<b>€ 1,641,229</b>
Additions		-	258		-	-	258
Effect of foreign currency exchange differences	(9,115)	(12,522)	(1,717)	(181)	(294)	(18)	(23,847)
<b>Balance at June 30, 2014</b>	<b>€ 618,224</b>	<b>€ 849,309</b>	<b>€ 116,661</b>	<b>€ 12,289</b>	<b>€ 19,948</b>	<b>€ 1,209</b>	<b>€ 1,617,640</b>

## Jinchi Biotech Ltd.

### Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

(in Euros)

### 3. Notes to Significant Accounts on Financial Statements – continued

#### 8) Long-term Deferred Assets

	June 30, 2014	December 31, 2013
Leasehold improvements	€ 191,808	€ 315,491
Amortization	(58,706)	(118,831)
Effect of foreign currency exchange differences	(2,633)	(4,852)
	<b>€ 130,469</b>	<b>€ 191,808</b>

Leasehold improvements are amortized over 5 years. The remaining life of leasehold improvement is 1 year and 1 month.

#### 9) Accounts Payable

	June 30, 2014	December 31, 2013
Within 90 days	€ 1,473	901
91-180 days	888	-
	<b>€ 2,361</b>	<b>901</b>

## Jinchi Biotech Ltd.

### Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

(in Euros)

### 3. Notes to Significant Accounts on Financial Statements – continued

#### 12) Share Capital

Common share of Euro €1 each	Number of Shares	Share capital
Authorized and issued		
On March 13, 2014 (date of incorporation) and June 30, 2014	30,000,000	€ 100

On March 13, 2014, the Company was incorporated in BVI with authorized and issued common shares of Euro at no par value each. Upon the reorganization on May 16, 2014, the Company has become the ultimate holding company of the Group. A nominal amount of €100 is recorded as share capital as of June 30, 2014.

During the period ended June 30, 2014, additional capital contribution of €1,272,227 (RMB 10,530,000) was injected to Zhangjiajie Jinchi. The amount is recorded as additional paid in capital on the consolidated financial statement as of June 30, 2014.

#### 13) Revenue

	June 30, 2014	June 30, 2013
Revenue		
Tickets sales	€ 153,043	€ 31,941
Small commodities sales	129,583	22,286
Cosmetics sales	88,653	9,167
	€ 371,279	€ 63,394
Cost of sales	150,227	38,024
Sales tax	9,589	1,181
Gross Margin	€ 221,463	€ 24,189

## Jinchi Biotech Ltd.

### Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

(in Euros)

### 3. Notes to Significant Accounts on Financial Statements – continued

#### 16) General and Administrative Expenses

	June 30 2014	June 30, 2013
Salaries and employee benefits	€ 52,495	€ 31,648
Office supplies	1,103	874
Transportation expenses	34	14
Vehicle expenses	6,443	6,024
Meals and entertainments	1,956	13,273
Telephone charges	439	1,455
Utilities	52	266
Rental fees	-	615
Travel expenses	9,522	138
Meals	89	3,142
Depreciation	17,241	16,263
Amortization of long-term prepaid expenses	58,706	89,465
Expenses for Expert Building	260	245
Employees welfare	355	2,063
Science and Technology Museum maintenance fees	-	-
Moving expenses	306	827
Local Taxes	649	-
Other fees	6,947	4,368
Low value consumptions	-	79
Repairs and maintenance costs	2,631	107
Land use fees	577	300
Disabled security payments	447	326
Union fees	326	652
Social securities	2,829	2,484
Unemployment insurance	310	196
Medical insurance	878	580
Research and development costs	7,583	10,504
Consulting	7,123	-
Meeting	329	-
Finance cost	68	-
Exchange gain/loss	(7,683)	-
Others	5,542	653
	€ 177,557	€ 186,561

## Jinchi Biotech Ltd.

### Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

(in Euros)

### 3. Notes to Significant Accounts on Financial Statements – continued

#### 18) Explanatory Notes for Cash Flow Statements

##### (1) Other cash received related to operating activities

	June 30, 2014	June 30, 2013
Government Grants	€ 7,102	€ -
Foreign exchange	7,682	-
Interest income	39	-
Related party transactions	-	147,658
	€ 14,823	€ 147,658

The related party transactions were mostly between the Company and Hunan Jinchi Landscape Company Limited, a company under common control (See Note 6).

##### (2) Other cash paid related to operating activities

	June 30, 2014	June 30, 2013
Advertising fees	€ 17,359	€ 42,419
Rent and utilities	6,965	14,760
Hospitality expenses	1,956	13,273
Research and development costs	7,584	10,504
Conference expenses	330	4,386
Vehicle expenses	6,443	6,024
Repairs and maintenance costs	2,631	134
Office expenses and others	27,093	38,146
Professional fees	95,000	-
Intercompany transfers	1,087,556	-
	€ 1,252,917	€ 129,646

## Jinchi Biotech Ltd.

### Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

(in Euros)

#### 5. Related Parties and Related Parties Transactions - continued

##### 3) Balance due from (to) related parties

Accounts	Related Parties	December 31, 2013	June 30, 2014	Nature of the transactions
Due from (to) related parties	Hunan Jinchi Landscape Company Limited	(1,021,910)	58,035	Working capital borrowings
Due from (to) related parties	One director and shareholder with over 50% of ownership	(110,599)	(312,770)	Fees paid on behalf of the Company
Due from related parties	One Director	-	182,951	Advances

#### 6. Contingency Liabilities

The Company has no contingency liabilities.

#### 7. Commitments

The Company signed an agreement with Zhangjiajie Giant Salamander Rescue Center for the lease of land. The lease term has twenty years starting from January 1, 2010 to December 31, 2030. The Company has paid the lease deposit of €11,803 (RMB 100,000) which was recorded as other receivable. The rent for the first ten years is €23,606 (RMB 200,000) per annum, and the rent is subjected to an annual increase of €1,180 (RMB 10,000) for the years subsequent to the first ten years.

#### 8. Loans, Collaterals and Guaranteed Items

The Company has no off balance sheet loans, collaterals and guaranteed items.

**Zhangjiajie (China)**  
**Jinchi Giant Salamander Biological Technology Co., Ltd.**

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*For the years ended December 31, 2013, 2012 and 2011*

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## **INDEPENDENT AUDITOR'S REPORT**

XiangYuanYang(2014)Audit No.030

To the Board of  
Zhangjiajie (China) Jinchu Giant Salamander Biological Technology Co., Ltd.:

We have audited the accompanying financial statements of Zhangjiajie (China) Jinchu Giant Salamander Biological Technology Co., Ltd. ("the Company"), which comprise the statements of financial position as at December 31, 2013, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

The management is responsible for the preparation and fair presentation of these financial statements in accordance with China Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises. This responsibility includes: (i) designing, implementing and maintaining internal control which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (ii) selecting and applying appropriate accounting policies; and (iii) making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Chinese Certified Public Accountants Auditing Standards. Those standards require that we comply with Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, 2012 and 2011, and its financial performance and its cash flows for the three years then ended in accordance with China Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises.

Hunan Yuanyang Certified Public Accountants Co., Ltd.

Certified Public Accountant: Jian Yang  
Certified Public Accountant: Yudan Dai

Changsha, Hunan Province, China

March 10, 2014

June 17, 2014

Matthews Folbigg Pty Limited  
ACN 078 845 271  
Level 7 The Barrington  
10-14 Smith Street  
PO Box 248  
Parramatta NSW 2124  
Australia

**Re. Confirmation Letter**

Dear Sir/Madam,

We, Bluehill Investment Advisory Limited, ("Bluehill Advisory"), was engaged by Zhangjiajie (China) Jinchi Giant Salamander Biological Technology Co., Ltd. ("Jinchi" or "the Company"), to translate and convert the Company's financial statements for the years ended December 31, 2013, 2012 and 2011 from China Accounting Standards for Business Enterprises ("PRC GAAP") to International Financial Reporting Standards ("IFRS").

This letter is to confirm that Bluehill Advisory has translated and converted the Company's financial statements, which comprise the statements of financial position as at December 31, 2013, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years then ended, and a summary of significant accounting policies from PRC GAAP to IFRS.

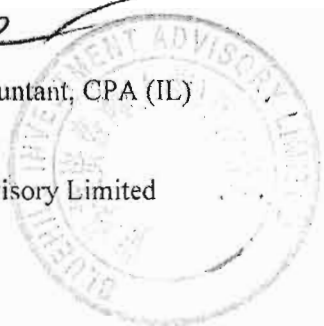
We also confirm that the reporting currency on the Company's financial statements was converted from Chinese Yuan ("RMB") to European Dollar ("Euro") as per the request of the Company.

Please note we are not engaged by the Company as its auditors, therefore, we did not perform any audit works, and did not issue any audit opinions or auditor reports for the Company's financial statements for the years ended December 31, 2013, 2012 and 2011.

Sincerely,



Eric Ni, Chartered Accountant, CPA (IL)  
Director  
Bluehill Investment Advisory Limited



**Zhangjiajie (China)****Jinchi Giant Salamander Biological Technology Co., Ltd.****Consolidated Statements of Financial Position***(in Euros)*

	December 31, 2013	December 31, 2012	December 31, 2011
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 50,402	\$ 10,526	\$ 18,905
Accounts receivables	49,858	20,240	37
Prepayments	96,698	211,417	212,368
Other receivables	108,729	14,940	56,872
Inventory	21,662	59,087	67,726
Other current assets	-	29,417	4,131
	327,349	345,627	360,039
<b>Non-current assets</b>			
Prepayments	-	920,300	927,282
Plant and equipment	1,521,733	411,421	79,623
Construction in progress	-	297,750	641,971
Long-term deferred asset	191,808	315,491	439,488
	\$ 2,040,890	\$ 2,290,589	\$ 2,448,403
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	901	6,602	9,605
Other payables	1,137,625	1,473,738	2,430,814
Receipt in advance	8,430	9,596	-
Income taxes payable	7,514	2,121	462
	1,154,470	1,492,057	2,440,881
<b>Equity</b>			
Share capital	1,741,258	1,741,258	546,001
Foreign currency translation reserve	23,477	38,020	10,832
Accumulated deficit	(878,315)	(980,746)	(549,311)
	886,420	798,532	7,522
	\$ 2,040,890	\$ 2,290,589	\$ 2,448,403

*The accompanying notes are an integral part of these financial statements.*

Signed by " " \_\_\_\_\_  
Director

Signed by " " \_\_\_\_\_  
Director

**Zhangjiajie (China)**  
**Jinchi Giant Salamander Biological Technology Co., Ltd.**

**Consolidated Statements of Operations and Comprehensive Income**

*For the years ended December 31, 2013, 2012 and 2011*

*(in Euros)*

	December 31, 2013	December 31, 2012	December 31, 2011
<b>Revenues</b>	\$ 388,063	\$ 155,247	\$ 83,168
<b>Cost of goods sold</b>	174,871	76,916	34,334
<b>Sales taxes</b>	4,462	2,301	2,613
<b>Gross profit</b>	208,730	76,030	46,221
General and administrative expenses	365,648	427,288	323,431
Selling expenses	83,641	122,253	184,844
<b>Operating loss</b>	(240,559)	(473,511)	(462,054)
Other income	349,435	42,182	33,682
Other expenses	(6,445)	(106)	(556)
Profit (loss) before income taxes	102,431	(431,435)	(428,928)
Provision for income taxes	-	-	-
<b>Profit (loss) for the year</b>	102,431	(431,435)	(428,928)
<b>Other comprehensive income</b>			
Foreign currency translation adjustment	(14,543)	27,188	(7,896)
<b>Total comprehensive income (loss)</b>	\$ 87,888	\$ (404,247)	\$ (436,824)

*The accompanying notes are an integral part of these financial statements.*

**Zhangjiajie (China)****Jinchi Giant Salamander Biological Technology Co., Ltd.****Consolidated Statements of Changes in Equity***(in Euros)*

	Share capital	Accumulated deficit	Accumulated other comprehensive income/(loss)	Total equity
Balance, January 1, 2011	\$ 546,001	\$ (120,383)	\$ 18,728	\$ 444,346
Loss for the year	-	(428,928)	-	(428,928)
Foreign currency translation adjustment	-	-	(7,896)	(7,896)
Balance, December 31, 2011	\$ 546,001	\$ (549,311)	\$ 10,832	\$ 7,522
Loss for the year	-	(431,435)	-	(431,435)
Capital injection	1,195,257	-	-	1,195,257
Foreign currency translation adjustment	-	-	27,188	27,188
Balance, December 31, 2012	\$ 1,741,258	\$ (980,746)	\$ 38,020	\$ 798,532
Profit for the year	-	102,431	-	102,431
Foreign currency translation adjustment	-	-	(14,543)	(14,543)
Balance, December 31, 2013	\$ 1,741,258	\$ (878,315)	\$ 23,477	\$ 886,420

*The accompanying notes are an integral part of these financial statements.*

# Zhangjiajie (China)

## Jinchi Giant Salamander Biological Technology Co., Ltd.

### Consolidated Statements of Cash Flows

For the years ended December 31, 2011, 2012 and 2013  
(in Euros)

	December 31, 2013	December 31, 2012	December 31, 2011
<b>Cash flows from operating activities</b>			
→ Cash received from sales of goods or rendering of services	\$ 356,416	\$ 144,488	\$ 73,475
→ Other cash received related to operating activities - <i>unconsolidated</i>	251,451	84,277	516,861
	607,867	228,765	590,336
<b>Cash flows used in operating activities</b>			
Cash paid for goods and service	-	(71,644)	(140,441)
Cash paid to wages and benefits	(68,732)	(108,024)	(120,439)
Taxes paid	(5,656)	(16,737)	(21,565)
Other cash paid related to operating activities	(445,470)	(1,256,152)	(231,994)
	(519,858)	(1,452,557)	(514,439)
<b>Net cash flows from (used in) operating activities</b>	88,009	(1,223,792)	75,897
<b>Cash flows used in from investing activities</b>			
Purchase of plant and equipment	(47,067)	(18,337)	(61,543)
<b>Net cash flows used in investing activities</b>	(47,067)	(18,337)	(61,543)
<b>Cash flows from financing activities</b>			
Capital injection	-	1,195,257	-
<b>Net cash flows from investing activities</b>	-	1,195,257	-
Effect of foreign exchange rate changes on cash and cash equivalents	(1,066)	38,493	1,704
<b>Increase (decrease) in cash and cash equivalents</b>	39,876	(8,379)	16,058
<b>Cash and cash equivalents, beginning of year</b>	10,526	18,905	2,847
<b>Cash and cash equivalents, end of year</b>	\$ 50,402	\$ 10,526	\$ 18,905

The accompanying notes are an integral part of these financial statements.

## **Zhangjiajie (China)**

### **Jinchi Giant Salamander Biological Technology Co., Ltd.**

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#### **Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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### **1. Organization and Nature of Business**

#### **Profile**

Zhangjiajie (China) Jinchi Giant Salamander Biological Technology Co., Ltd. ("the Company"), a limited liability company, was established on January 12, 2009. The Company has received the business license issued by the Bureau of Administration for Industry and Commerce of Zhangjiajie City, People's Republic of China ("PRC"). The business license number is: 430800000008315. The address of the Company's registered office is No.8 Baofeng Road, Township of Suoxiyu, Wulingyuan District, Zhangjiajie City, Hunan Province. The Company's legal representative is Mr. Haibo Zhang. The registered capital is \$5,988,669 (RMB 50,000,000). The paid-in capital as of December 31, 2013 is \$1,741,258 (RMB 15,000,000).

#### **Nature of Operations**

The company is in Biotech Industry.

The company's approved scope of business operations including: giant salamander protection; tourism and tourist souvenirs development and sales; biotechnology research and development and product sales; cigarettes and cigars retail (license valid until June 30, 2014); merchandise sales; Pre-packaged foods, bulk foods, dairy products (excluding infant formula milk powder) wholesale and retail (food distribution license is valid until June 6, 2015).

#### **History**

The Company was established on January 12, 2009 with registered capital of \$546,001 (RMB 5,000,000). The original name of the Company was "Zhangjiajie Jinchi Giant Salamander Biological Technology Co., Ltd". The Company has two shareholders when established: Mr. Haibo Zhang and Mr. Yufei Zhang. Mr. Haibo Zhang contributed in cash of \$382,201 (RMB 3,500,000) which was 70% of the Company's registered capital at the inception; Mr. Yufei Zhang contributed in cash of \$163,800 (RMB 1,500,000) which was 30% of the Company's registered capital at the inception.

On May 4, 2010, the Company changed its name to "Zhangjiajie (China) Giant Salamander Biological Technology Co., Ltd.", and Mr. Yufei Zhang transferred all his shares to Mr. Haibo Zhang. After this transfer, Mr. Haibo Zhang held the shares of \$546,001 (RMB 5,000,000), which was 100% of the Company's registered capital, and became the sole shareholder of the Company.

On March 8, 2012, the Company increased its registered capital from \$546,001 (RMB 5,000,000) to \$5,988,669 (RMB 50,000,000), with total paid-in capital of \$1,741,258 (RMB 15,000,000) and Mrs. Jian Zhou became a new shareholder of the Company. For this increased registered capital of \$5,442,668 (RMB 45,000,000), Mr. Haibo Zhang agreed to contribute \$5,329,916 (RMB 44,500,000) with actual paid-in capital of \$1,195,257 (RMB 10,000,000); Mrs. Jian Zhou agreed to contribute \$59,887 (RMB 500,000) with actual paid-in capital of Nil. After the increase of the registered capital, the Company's shareholding is as follows:

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*

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**1. Organization and Nature of Business – continued**

Name of Shareholder	Amount before increase of registered capital (RMB)	Amount after increase of registered capital (RMB)	Paid-in capital (RMB)	Unpaid Registered capital (RMB)	Percentage (%)
Haibo Zhang	5,000,000	49,500,000	15,000,000	34,500,000	99
Jian Zhou	-	500,000	-	500,000	1
<b>Total:</b>	<b>5,000,000</b>	<b>50,000,000</b>	<b>15,000,000</b>	<b>35,000,000</b>	<b>100</b>

**Basis of Preparation**

The financial statements of the Company have been prepared on the going concern basis according to the actual transactions occurred. The preparation of financial statements is in accordance with Accounting Standards for Business Enterprises (“ASBE”) as issued by the Ministry of Finance of the PRC on February 15, 2006, and 38 specific standards and application guidance and interpretations issued thereafter.

**2. Statement of compliance**

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises (“ASBE”), and present truly and completely, the Company’s financial position as at December 31, 2013, 2012 and 2011, and the Company’s results of operations, and cash flows for the three years then ended.

**3. Significant Accounting Policies**

**Accounting Period**

The Company’s fiscal year is a calendar year which starts on January 1 and ends on December 31.

**Functional Currency**

Given the fact that Renminbi (“RMB”) is the major currency of the circumstances where the Company is primarily operated, the Company adopts RMB as its functional currency.

**Zhangjiajie (China)**  
**Jinchi Giant Salamander Biological Technology Co., Ltd.**

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**3. Significant Accounting Policies – continued**

**Accounting Basis and Valuation Principle**

The company adopts accrual basis of accounting.

These financial statements have been prepared under the historical cost convention. The amount will be subsequently adjusted by using replacement cost, net realisable value and fair value in accordance with specific accounting standards.

**Cash and Cash Equivalents**

Cash consists of cash in hand and bank deposits. Cash equivalents refer to short-term and highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Financial Assets and Financial Liabilities**

**1) Financial Assets**

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company recognizes and derecognizes all financial assets on the trade date, where their purchase or sale are under a contract whose terms require delivering the financial asset within the timeframe established by the market concerned, and initially measures them at fair value, plus directly attributable transaction costs, except for financial assets classified as at fair value through profit or loss, which the Company initially measures at fair value with transaction costs being expensed as incurred.

Financial assets at FVTPL are subsequently measured at fair value with gains or losses arising from changes in fair value recognized in profit or loss of the current period. Available-for-sale financial assets are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in equity. Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from de-recognition, impairment or amortization are recognized in profit or loss for the current period.

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**3. Significant Accounting Policies – continued**

**2) Financial Liabilities**

The Company classifies its financial liabilities into two categories: financial liabilities that are held for trading and measured at fair value; and other financial liabilities measured at amortized cost using the effective interest method, with interest expense being recognized as finance costs.

**3) Fair Value of Financial Assets and Financial Liabilities**

- (1) If there is an active market for financial assets and financial liabilities, quoted prices in an active market are used to determine its fair value;
- (2) If there is no active market, valuation techniques are used to determine its fair value;
- (3) The initial measurement of financial assets and financial liabilities shall be based on quoted prices for identical or similar assets and liabilities in active markets, if not available, shall be derived from or corroborated by observable market data;
- (4) When using discounted cash flow method to determine the fair value of financial instruments, the discount rate shall be based on the yields of similar assets and liabilities in the market with the similar contract terms. For the short-term receivables and payables, if there is no indication shows the present value is substantially different from the actual transaction amount, the transaction amount shall be used.

**4) Impairment of Financial Assets**

The Company assesses the recoverable amount of financial assets at each balance sheet date. Provisions of impairment shall be made if there are significant indicators:

- (1) Financial assets at FVTPL: the Company shall measure the financial assets at FVTPL at fair value on balance sheet date. The change in fair value shall be recognized in profit or loss;
- (2) Receivables: the Company shall made assessment for receivables on the balance sheet date. Provision shall be made if there is evidence to indicate the carrying amount of receivables is not recoverable;
- (3) Held-to-maturity investments: Provision of impairment shall be made on the balance sheet date if there is evidence to indicate the carrying amount is higher than the present value of future cash flows;
- (4) Available-for-sale: Provision of impairment shall be made on the balance sheet date if the fair value of available-for-sale financial assets is significantly lower than the carrying value and the impairment is other than temporary.

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**Jinchi Giant Salamander Biological Technology Co., Ltd.**

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**Notes to Financial Statements**

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**3. Significant Accounting Policies – continued**

**Foreign currency translation**

The Company's financial information is presented in Euro. The functional currency of the Company's operating subsidiaries is Renminbi ("RMB"), the currency of the PRC. The financial statements of the Company have been translated into Euro. The financial information is first prepared in RMB and then is translated into Euro at year-end exchange rates as to assets and liabilities and average exchange rates as to revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The effects of foreign currency translation adjustments are included in shareholders' equity.

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	December 31, 2013	December 31, 2012	December 31, 2011
Year end RMB: Euro exchange rate	8.3491	8.2207	8.1588
Annual average RMB: Euro exchange rate	8.1646	8.1052	8.9960

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**Inventory**

Inventories include raw materials, work-in-process, finished goods, consumption goods and packaging materials etc.

Weighted average method is used for inventory costing. On the balance sheet date, the Company values inventory at the lower of cost and net realizable value.

Low-valued consumables and packing materials are amortized in full amount when used.

The Company adopts perpetual inventory system.

To calculate the net realizable value of the inventories according to the normal operation, use the estimated selling price minus the estimated cost needed to complete the project and estimated the cost needed to sell the inventories in order to determine the value.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized.

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**Jinchi Giant Salamander Biological Technology Co., Ltd.**

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*

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**3. Significant Accounting Policies – continued**

**Plant and Equipment**

**1) Definition**

Plant and equipment are tangible assets that are used in production, rendering of services, held for rental to others, or held for management purposes, which have useful lives of more than one year and have relatively high unit price.

**2) Recognition**

- 1) The asset has the economic benefits to the Company;
- 2) The cost of the asset is measurable

**3) Category**

The Company has the following categories: Buildings, Machinery and equipment, Electronic devices and office equipment, Exhibition equipment, Furniture, and Motor vehicles.

**4) Measurement**

Plant and equipment acquired by the Company are recorded at historical cost, including all directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

**5) Depreciation**

Plant and equipment are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values (5%) over their estimated useful life. The useful lives, estimated net residual values rates and annual depreciation rates of each class of plant and equipment are as follows:

Classes	Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	20 years	5%	4.75%
Machinery	10 years	5%	9.5%
Electronic equipment	5 years	5%	19%
Office equipment	5 years	5%	19%
Exhibition equipment	20 years	5%	4.75%
Furniture	5 years	5%	19%

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**Notes to Financial Statements**

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**3. Significant Accounting Policies – continued**

**6) Subsequent Expenditures on Fixed Assets**

Subsequent expenditures for major reconstruction, expansion, improvement and renovation could be capitalized when: 1) the expenditures are likely to have economic benefits in the future to the Company; 2) and the cost of subsequent expenditures can be reliably measured. While costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period.

**7) Impairment of Fixed Assets**

The Company tests long-lived assets, including property, plant and equipment and other assets, for recoverability on the balance sheet date when events or circumstances indicate that the net carrying amount is greater than its fair value. Assets are grouped and evaluated at the lowest level for their identifiable cash flows that are largely independent of the cash flows of other groups of assets. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of impairment by comparing the carrying amount of the asset to its fair value.

**Construction in Progress**

The construction in progress are included the construction projects, installation project, installing equipment, technological transformation project, considerable repaired project and other projects. Cost of construction in progress is determined as the expenditure actually incurred for the construction, comprising all expenditure incurred for construction projects, capitalized borrowing costs incurred on a specific borrowing for the construction before it has reached working condition for its intended use, and other related expenses. Construction in progress is reclassified as fixed assets when it has reached working condition for its intended use.

The Company reviews whether there is the probability of indication of impairment, if it exists, the Company will revalue the recoverable amount at each balance sheet date. If the recoverable amount lowers than the carrying amount, the difference will be provided for impairment and recoded to profit or loss in the current period.

**Long-term Deferred Expenses**

Long-term deferred expenses represent expenses incurred that should be borne and amortized over certain periods. Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**3. Significant Accounting Policies – continued**

**Employee Salaries and Benefits**

Employee salaries and benefits represent the various payments made to the employees for the services provided. The salaries and benefits include: 1) wages, bonus and allowance; 2) welfare; 3) medical insurance, social security, unemployment insurance, workplace safety insurance, maternity insurance and other social benefits; 4) housing allowance; 5) union and education allowance; 6) non-monetary benefit; 7) compensation for termination of employment contract, and 8) other related expenses paid to employees for service rendered.

The Company records the unpaid salary as payables. Except for the compensations paid for the termination of employment contract, the expenditures are included in the cost of sales, labor costs, fixed assets, intangible assets or profit or loss of current period respectively based on the nature of employee services provided.

**Revenue Recognition**

The Company generates revenues mainly from the sales of museum tickets and sales of merchandise. Revenue is recognized as follows:

**1) Sales of museum tickets:**

Revenues from Giant Salamander Science and Technology museum ticket sales are recognized when the tickets are sold.

**2) Sales of merchandise:**

The Company recognizes revenue from the sale of its merchandise when goods are delivered and the following criteria are met:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) the amount of revenue can be measured reliably;
- 4) it is more likely than not that the associated economic benefits will flow to the Company, and
- 5) the associated costs incurred or to be incurred can be measured reliably.

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**Notes to Financial Statements**

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**3. Significant Accounting Policies – continued**

**Government grants**

Government grants are not recognized until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

**Income Tax**

The company adopts the tax payable method of accounting to compute the corporate income tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Deferred tax liabilities are generally recognized for all taxable temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

**4. Taxation**

The Company is subject to the following taxes:

<b>Taxes</b>	<b>Tax Basis</b>	<b>Tax Rate</b>
Value Added Tax ("VAT")	Sales revenue	3%
Business Tax	Business income	3%
City Maintenance and Construction Tax	VAT and Business tax	7%
Education Surtax	VAT and Business tax	3%
Local Education Surtax	VAT and Business tax	2%
Income Tax	Taxable Income	25%

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*

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**5. Notes to Significant Accounts on Financial Statements**

**1) Cash and Cash Equivalent**

	December 31, 2013	December 31, 2012	December 31, 2011
Cash on hand	\$ 5,768	\$ 8,281	\$ 14,100
Cash in bank	44,634	2,245	4,805
	<b>\$ 50,402</b>	<b>\$ 10,526</b>	<b>\$ 18,905</b>

**2) Accounts Receivable**

(1) Accounts receivable consist of :

	December 31, 2013	December 31, 2012	December 31, 2011
Within 90 days	\$ 38,422	\$ 20,240	\$ 37
91 - 180 days	7,210	-	-
181 - 365 days	4,226	-	-
	<b>\$ 49,858</b>	<b>\$ 20,240</b>	<b>\$ 37</b>

(2) No balance of accounts receivable was held by the Company's shareholder, who has five percent (5%) or more voting power of the Company.

(3) The nature of accounts receivable is presented below:

	December 31, 2013	December 31, 2012	December 31, 2011
Small commodities sales	\$ 49,858	\$ 20,240	\$ -
Tickets sales	-	-	37
	<b>\$ 49,858</b>	<b>\$ 20,240</b>	<b>\$ 37</b>

**Zhangjiajie (China)**  
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**Notes to Financial Statements**

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*(in Euros)*

**5. Notes to Significant Accounts on Financial Statements - continued**

**3) Prepayments**

(1) The aged analysis of the current portion of prepayment is listed below:

	December 31, 2013	December 31, 2012	December 31, 2011
Within 90 days	\$ 8,486	\$ 130,360	\$ 130,696
91 - 180 days	-	-	-
181 - 365 days	-	-	-
Over 1 year	88,212	81,057	81,672
	<b>\$ 96,698</b>	<b>\$ 211,417</b>	<b>\$ 212,368</b>

(2) No balance of prepayments was held by the Company's shareholder who has five percent (5%) or more voting shares of the Company.

(3) The nature of prepayments is listed as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
<b>Current</b>			
Deposits for purchase contracts	\$ 65,193	\$ 67,427	\$ 67,939
Prepayment for design fees	14,617	16,062	16,184
Prepayment for rents	8,486	6,590	1
Prepayment for raw materials	8,402	43,239	48,901
Other payments	-	78,099	79,343
	<b>\$ 96,698</b>	<b>\$ 211,417</b>	<b>\$ 212,368</b>
<b>Non-current</b>			
Prepayment for equipment	-	45,008	45,350
Prepayment for electronic project	-	875,292	881,932
	<b>\$ -</b>	<b>\$ 920,300</b>	<b>\$ 927,282</b>

**Zhangjiajie (China)**  
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**Notes to Financial Statements**

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*(in Euros)*

**5. Notes to Significant Accounts on Financial Statements – continued**

**4) Other Receivables**

(1) An aged analysis of other receivables is presented below:

	December 31, 2013	December 31, 2012	December 31, 2011
Within 90 days	\$ 96,752	\$ 2,776	\$ 44,615
91 - 180 days	-	-	-
181 - 365 days	-	-	-
Over 1 year	11,977	12,164	12,257
	<b>\$ 108,729</b>	<b>\$ 14,940</b>	<b>\$ 56,872</b>

(2) No balance of other receivables was held by the Company's shareholder who has five percent (5%) or more voting shares of the Company.

(3) Other receivables consist of :

	December 31, 2013	December 31, 2012	December 31, 2011
Government grants	\$ 95,819	\$ -	\$ -
Deposits	12,097	14,157	14,019
Employee advances	813	783	42,853
	<b>\$ 108,729</b>	<b>\$ 14,940</b>	<b>\$ 56,872</b>

**5) Inventory**

	December 31, 2013	December 31, 2012	December 31, 2011
Small commodities	\$ 19,486	\$ 28,644	\$ 19,748
Cosmetics	2,176	30,443	47,978
	<b>\$ 21,662</b>	<b>\$ 59,087</b>	<b>\$ 67,726</b>

**Zhangjiajie (China)**  
**Jinchi Giant Salamander Biological Technology Co., Ltd.**

**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
*(in Euros)*

**5. Notes to Significant Accounts on Financial Statements – continued**

**6) Other Current Assets**

	December 31, 2013	December 31, 2012	December 31, 2011
<b>Gifts to travel agencies</b>	<b>\$ -</b>	<b>\$ 29,417</b>	<b>\$ 4,131</b>

**7) Plant and Equipment**

Movements in the carrying value of plant and equipment were as follows:

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Total
<i>Cost</i>							
<b>Balance at December 31, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Additions	-	-	52,788	11,396	16,563	1,138	81,885
Effect of foreign currency exchange differences	-	-	5,417	1,169	1,700	117	8,403
<b>Balance at December 31, 2011</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,205</b>	<b>\$ 12,565</b>	<b>\$ 18,263</b>	<b>\$ 1,255</b>	<b>\$ 90,288</b>
Additions	344,223	-	18,140	197	-	-	362,560
Effect of foreign currency exchange differences	(4,836)	-	(693)	(97)	(138)	(9)	(5,773)
<b>Balance at December 31, 2012</b>	<b>339,387</b>	<b>-</b>	<b>75,652</b>	<b>12,665</b>	<b>18,125</b>	<b>1,246</b>	<b>447,075</b>
Additions	299,796	881,306	44,617	-	2,450	-	1,228,169
Effect of foreign currency exchange differences	(11,844)	(19,475)	(2,149)	(195)	(333)	(19)	(34,015)
<b>Balance at December 31, 2013</b>	<b>\$ 627,339</b>	<b>\$ 861,831</b>	<b>\$ 118,120</b>	<b>\$ 12,470</b>	<b>\$ 20,242</b>	<b>\$ 1,227</b>	<b>\$ 1,641,229</b>

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**5. Notes to Significant Accounts on Financial Statements – continued**

**7) Plant and Equipment - continued**

Movements in the accumulated depreciation of plant and equipment were as follows:

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Total
<i>Accumulated depreciation</i>							
<b>Balance at December 31, 2010</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation expense			7,013	1,403	391	865	9,672
Effect of foreign currency exchange differences			720	144	40	89	993
<b>Balance at December 31, 2011</b>	-	-	7,733	1,547	431	954	10,665
Depreciation expense	11,751	-	7,690	5,312	434	240	25,427
Effect of foreign currency exchange differences	(165)	-	(166)	(86)	(9)	(11)	(438)
<b>Balance at December 31, 2012</b>	11,586	-	15,257	6,773	855	1,183	35,654
Depreciation expense	24,581	44,065	13,071	4,025	553	-	86,295
Effect of foreign currency exchange differences	(721)	(973)	(523)	(193)	(25)	(18)	(2,453)
<b>Balance at December 31, 2013</b>	\$ 35,446	\$ 43,092	\$ 27,805	\$ 10,605	\$ 1,383	\$ 1,165	\$ 119,496

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Total
<b>Net book amount</b>							
<b>At December 31, 2011</b>	\$ -	\$ -	\$ 50,472	\$ 11,018	\$ 17,832	\$ 301	\$ 79,623
<b>At December 31, 2012</b>	\$ 327,801	\$ -	\$ 60,395	\$ 5,892	\$ 17,270	\$ 63	\$ 411,421
<b>At December 31, 2013</b>	\$ 591,893	\$ 818,739	\$ 90,315	\$ 1,865	\$ 18,859	\$ 62	\$ 1,521,733

- (1) The Company did not record any impairment provision for the years ended December 31, 2013, 2012 and 2011.
- (2) During the year ended December 31, 2013, the Company transferred \$299,796 (RMB 2,447,716) from Construction in Progress to Buildings and transferred \$881,306 (RMB 7,195,510) from prepayments to Machinery.
- (3) During the year ended December 31, 2102, the Company transferred \$344,223 (RMB 2,790,000) from Construction in Progress to Buildings.

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**5. Notes to Significant Accounts on Financial Statements – continued**

**8) Construction in Progress**

	December 31, 2013	December 31, 2012	December 31, 2011
Science and Technology Museum	\$ 297,750	\$ 641,971	\$ 641,971
Transfer to fixed assets	(299,796)	(344,223)	-
Effect of foreign currency exchange differences	2,046	2	-
	<b>\$ -</b>	<b>\$ 297,750</b>	<b>\$ 641,971</b>

**9) Long-term Deferred Assets**

	December 31, 2013	December 31, 2012	December 31, 2011
Leasehold improvements	\$ 315,491	\$ 439,488	\$ 439,488
Amortization	(118,831)	(122,407)	
Effect of foreign currency exchange differences	(4,852)	(1,590)	
	<b>\$ 191,808</b>	<b>\$ 315,491</b>	<b>\$ 439,488</b>

Leasehold improvements are amortized over 5 years. The remaining life of leasehold improvement is 1 year and 7 months.

**10) Accounts Payable**

	December 31, 2013	December 31, 2012	December 31, 2011
<b>Within 90 days</b>	<b>\$ 901</b>	<b>\$ 6,602</b>	<b>\$ 9,605</b>

**Zhangjiajie (China)**  
**Jinchi Giant Salamander Biological Technology Co., Ltd.**

**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
*(in Euros)*

**5. Notes to Significant Accounts on Financial Statements – continued**

**11) Taxes payable**

	December 31, 2013	December 31, 2012	December 31, 2011
Business tax	\$ 2,914	\$ 1,263	\$ 109
City Maintenance and Construction Tax	475	113	10
Education Surtax	204	63	8
Value Added Tax (VAT)	3,783	663	335
Withholding Tax	2	-	-
Local Education Surtax	136	19	-
	<b>\$ 7,514</b>	<b>\$ 2,121</b>	<b>\$ 462</b>

**12) Other Payables**

	December 31, 2013	December 31, 2012	December 31, 2011
Payable to related parties	\$ 1,132,509	\$ 1,458,528	\$ 2,426,341
Payable to non-related parties	5,116	15,210	4,473
	<b>\$ 1,137,625</b>	<b>\$ 1,473,738</b>	<b>\$ 2,430,814</b>

As of December 31, 2013, the Company had balance of \$110,599 (RMB 923,404) payable to Mr. Haibo Zhang, the controlling shareholder of the Company (See Note 6).

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**5. Notes to Significant Accounts on Financial Statements – continued**

**13) Share Capital**

	December 31, 2013	December 31, 2012	December 31, 2011
Mr. Jianbo Zhang	\$ 1,741,258	\$ 1,741,258	\$ 546,001
Mrs. Jian Zhou	-	-	-
	\$ 1,741,258	\$ 1,741,258	\$ 546,001

The above capital contributions were certified by the Capital Verification Report - No. (2010)81 issued by Zhangjiajie Fangzheng Certified Public Accountants Co., Ltd on April 30, 2010 and Capital Verification report - No.(2012)014 issued by Hunan Jinqiao Certified Public Accountants Co., Ltd on March 5, 2012.

**14) Revenue**

	December 31, 2013	December 31, 2012	December 31, 2011
Revenue			
Tickets sales	\$ 200,619	\$ 60,578	\$ 64,842
Small commodities sales	105,632	40,152	7,950
Cosmetics sales	81,812	54,517	10,376
	\$ 388,063	\$ 155,247	\$ 83,168
Cost of sales	174,871	76,916	34,334
<b>Gross Margin</b>	\$ 213,192	\$ 78,331	\$ 48,834

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**5. Notes to Significant Accounts on Financial Statements – continued**

**15) Business Taxes and Other Levies**

	December 31, 2013	December 31, 2012	December 31, 2011
Business tax	\$ 3,350	\$ 1,850	\$ 2,276
City Maintenance and Construction Tax	649	263	198
Education Surtax	463	188	139
	<b>\$ 4,462</b>	<b>\$ 2,301</b>	<b>\$ 2,613</b>

**16) Selling Expenses**

	December 31, 2013	December 31, 2012	December 31, 2011
Tickets commission fees	\$ 750	\$ 1,166	\$ 3,646
Small Commodities commission fees	27	65	1,099
Credit card processing fees	81	88	138
Advertising fees	44,944	66,858	96,747
Science and Technology Museum utilities fees	33,251	32,052	50,204
Conference expenses	4,588	1,703	3,913
Vehicle expenses	-	1,702	1,455
Meals and entertainments	-	5,488	5,468
Transportation expenses	-	590	2,008
Travel agencies charges	-	7,156	13,539
Others	-	5,385	6,627
	<b>\$ 83,641</b>	<b>\$ 122,253</b>	<b>\$ 184,844</b>

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**5. Notes to Significant Accounts on Financial Statements -continued**

**17) General and Administrative Expenses**

	December 31, 2013	December 31, 2012	December 31, 2011
Salaries and employee benefits	\$ 59,675	\$ 86,133	\$ 79,468
Office supplies	3,934	3,737	2,772
Transportation expenses	170	310	335
Vehicle expenses	10,946	15,561	12,542
Meals and entertainments	25,832	47,916	13,087
Telephone charges	3,214	2,162	2,625
Utilities	373	621	1,145
Rental fees	612	1,481	-
Travel expenses	1,176	3,422	813
Meals	5,718	9,804	23,373
Depreciation	36,436	25,427	9,297
Amortization of long-term prepaid expenses	149,828	139,542	113,374
Expenses for Expert Building	876	2,410	3,517
Employees welfare	2,132	12,159	13,577
Science and Technology Museum maintenance fees	2,880	15,076	10,484
Moving expenses	1,264	219	1,238
Local Taxes	(833)	9,560	5,525
Other fees	7,202	14,771	10,302
Low value consumptions	1,071	663	2,271
Repairs and maintenance costs	150	1,517	2,194
Land use fees	597	602	742
Disabled security payments	553	944	760
Union fees	764	1,872	1,513
Social securities	5,176	6,925	2,344
Unemployment insurance	471	594	690
Medical insurance	1,279	2,213	988
Research and development costs	41,300	493	-
Others	2,852	21,154	8,455
	<b>\$ 365,648</b>	<b>\$ 427,288</b>	<b>\$ 323,431</b>

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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
*(in Euros)*

**5. Notes to Significant Accounts on Financial Statements -continued**

**18) Other Incomes**

	December 31, 2013 <sup>(1)</sup>	December 31, 2012 <sup>(2)</sup>	December 31, 2011 <sup>(3)</sup>
Government Grants	\$ 349,435	\$ 42,182	\$ 33,682
	<b>\$ 349,435</b>	<b>\$ 42,182</b>	<b>\$ 33,682</b>

→ The government grants included the followings:

- (1) In July 2013, the Company received a patent grant of \$367(RMB 3,000) from Intellectual Property Bureau of Zhangjiajie City; In October 2013, the Company received a grant for Giant Salamander antibacterial mechanism research of \$3,674(RMB 30,000) from Science and Technology Program of Zhangjiajie City; In October 2013, the Company received a subsidy of \$244,960(RMB 2,000,000 )from the Strategic Emerging Industry Program of Hunan Province; In November 2013, the Company received a funding for science education of \$2,450( RMB 20,000) from Science and Technology Bureau of Zhangjiajie City; As of December 2013, the Company had a grant receivable of \$97,984(RMB 800,000 )for support funding from Giant Salamander Biological Technology Service Center of Zhangjiajie City.
- (2) In February 2012, the Company received a funding of \$18,507(RMB 150,000) from Ministry of Science and Technology, Hunan Province; In April 2012, the Company received an award of \$1,233(RMB 10,000) from Tourism Bureau of Wulingyuan District, Zhangjiajie City; In April 2013, the Company received a funding of \$2,468(RMB 20,000) from Science and Technology Bureau of Zhangjiajie City; In August 2012, the Company received a subsidy of \$233(RMB 1,890) from Science and Technology Bureau of Zhangjiajie City; In November 2012, the Company received an award of \$2,468(RMB 20,000) from Science and Technology Bureau of Zhangjiajie City; In November 2012, the Company received a patent and science education funding of \$14,805(RMB 120,000) from Science and Technology Bureau of Zhangjiajie City; In December 2012, the Company received a grant of \$2,468(RMB 20,000) from Science and Technology Bureau of Zhangjiajie City.
- (3) In March 2011, the Company received a grant of \$27,790 (RMB 250,000) from Bureau of Finance, Zhangjiajie City; In July 2011, the Company received a grant of \$334 (RMB 3,000) from Science and Technology Bureau of Zhangjiajie City; In November 2011, the Company received a grant of \$5,558 (RMB 50,000) from Science and Technology Bureau of Zhangjiajie City.

**Zhangjiajie (China)**  
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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*

*(in Euros)*

**5. Notes to Significant Accounts on Financial Statements -continued**

**19) Explanatory Notes for Cash Flow Statements**

(1) Other cash received related to operating activities

	December 31, 2013	December 31, 2012	December 31, 2011
Government Grants	\$ 251,451	\$ 42,182	\$ 33,682
Related party transactions	-	42,095	483,179
	<b>\$ 251,451</b>	<b>\$ 84,277</b>	<b>\$ 516,861</b>

The related party transactions were mostly between the Company and Hunan Jinchi Landscape Company Limited, a company under common control (See Note 6).

(2) Other cash paid related to operating activities

	December 31, 2013	December 31, 2012	December 31, 2011
Advertising fees	\$ 44,944	\$ 66,858	\$ 96,747
Rent and utilities	34,237	34,154	51,349
Hospitality expenses	25,832	53,404	18,555
Research and development costs	42,176	2,904	3,517
Conference expenses	4,587	1,703	3,913
Vehicle expenses	10,946	17,262	13,997
Repairs and maintenance costs	3,030	16,593	12,677
Office expenses and others	52,330	111,123	8,091
Marketing expenses	-	-	23,148
Intercompany transfers	227,388	952,151	-
	<b>\$ 445,470</b>	<b>\$ 1,256,152</b>	<b>\$ 231,994</b>

**Zhangjiajie (China)**  
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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
*(in Euros)*

**5. Notes to Significant Accounts on Financial Statements -continued**

**20) Supplementary Information for Cash Flow Statements**

	December 31, 2013	December 31, 2012	December 31, 2011
<b>Cash flows from operating activities</b>			
Profit (loss)	\$ 102,431	\$ (431,435)	\$ (428,928)
Amortization – Property, plant and equipment	86,295	25,427	9,297
Amortization – Long-term deferred assets	121,517	122,407	107,386
Decrease in inventory	37,341	8,245	(59,286)
Decrease (increase) in receivables	32,555	20,947	(36,689)
Increase (decrease) in payables	(321,749)	(943,705)	487,863
Others	29,619	(25,678)	(3,746)
<b>Net cash flows from (used in) operating activities</b>	<b>\$ 88,009</b>	<b>\$ (1,223,792)</b>	<b>\$ 75,897</b>

**6. Related Parties and Related Parties Transactions**

**1) Shareholder and shareholding with controlling relationship**

Controlling shareholder	Shareholding (%)		
	December 31, 2013	December 31, 2012	December 31, 2011
Mr. Haibo Zhang	99%	99%	100%

**2) Related party without controlling relationship**

Related Party	Relationship	Organization Code
Hunan Jinchi Landscape Company Limited	Under common control	430102583799125

**Zhangjiajie (China)**  
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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*  
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**6. Related Parties and Related Parties Transactions - continued**

**3) Balance due to related parties**

Accounts	Related Parties	December 31, 2013	December 31, 2013	December 31, 2013	Nature of the transactions
	Hunan Jinchi Landscape				working capital
Other Payable	Company Limited	1,021,910	1,419,157	2,411,633	borrowings
					working capital
Other Payable	Mr. Haibo Zhang	110,599	39,371	14,708	borrowings

**7. Contingency Liabilities**

The Company has no contingency liabilities.

**8. Commitments**

The Company signed an agreement with Zhangjiajie Giant Salamander Rescue Center for the lease of land. The lease term has twenty years starting from January 1, 2010 to December 31, 2030. The Company has paid the lease deposit of \$11,977 (RMB 100,000) which was recorded as other receivable. The rent for the first ten years is \$23,955 (RMB 200,000) per annum, and the rent is subjected to an annual increase of \$1,198 (RMB 10,000) for the years subsequent to the first ten years.

**9. Subsequent Events**

On March 3, 2014, the two shareholders made their second tranche of the capital injection of \$1,182,187 (RMB 10,000,000), in which Mr. Mr. Haibo Zhang contributed \$1,123,078 (RMB 9,500,000) in cash and Mrs. Jian Zhou contributed \$59,109 (RMB 500,000) in cash. The capital injection was verified and certified by the capital verification report – No.(2014)14A05262 issued by Hunan Zhengyang Certified Public Accountants Co., Ltd. After this capital injection, Mr. Haibo Zhang has contributed \$2,864,336 (RMB 24,500,000) which is 49% of total registered capital, and Mrs. Jian Zhou has contributed \$59,109 (RMB 500,000) which is 1% of total registered capital. The Company's total paid-in capital becomes \$2,923,445 (RMB 25,000,000) which is 50% of total registered capital. The Company has obtained new business license to reflect the new paid-in capital amount.

**Zhangjiajie (China)**  
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**Notes to Financial Statements**

*For the years ended December 31, 2013, 2012 and 2011*

*(in Euros)*

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**10. Loans, Collaterals and Guaranteed Items**

The Company has no off balance sheet loans, collaterals and guaranteed items.

**Accounting Firm Practicing Certificate**

Certificate No.:015444

Name: Hunan Yuanyang Certified Public Accountants Co., Ltd.

Chief Accountant: Jian Yang

Address: Suite 2401, Rongke Sanwanying Building #5, No. 448 Shaoshan middle Road, Changsha City

Organizational form: Limited Liability Company

Accounting firm No.: 43010067

Registered Capital (contribution): RMB 1,000,000

Approval No.: Xiang Cai Kuai Han (2009) No.4

Approval Date: February 9, 2009

Issued by: Department of Finance, Hunan Province

**Zhangjiajie (China)**  
**Jinchi Giant Salamander Biological Technology Co., Ltd.**

**Audit Report**

**XiangYuanYang(2014)Audit No.030**

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