

Jinchi Biotech Ltd.

Interim Condensed Consolidated Report

For the six months ended June 30, 2015

(Expressed in Euro)

INDEPENDENT AUDITOR'S REVIEW REPORT

XiangYuanYang (2015) Review No.979

To the Board of Jinchi Biotech Ltd.:

We have reviewed the accompanying interim condensed consolidated statements of Jinchi Biotech Ltd. (the "Company"), which comprise the condensed consolidated statements of financial position as at June 30, 2015, and the condensed consolidated statements of loss and other comprehensive loss, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six months periods ended June 30, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with International Financial Reporting Standards.

Hunan Yuanyang Certified Public Accountants Co., Ltd.
Changsha, Hunan Province, China
September 5, 2015



Jinchi Biotech Ltd.

Table of Contents

For the six months ended June 30, 2015

	Page
Interim Condensed Consolidated Statements of Financial Position	1
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss	2
Interim Condensed Consolidated Statements of Changes in Equity	3
Interim Condensed Consolidated Statements of Cash Flows	4
Notes to Interim Condensed Consolidated Financial Statements	5 - 17

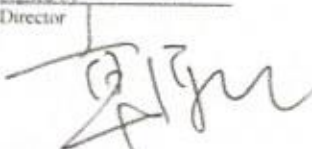
Jinchi Biotech Ltd.

Interim Condensed Consolidated Statements of Financial Position (in Euros)

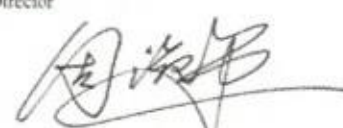
	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents (note 3)	€ 29,515	€ 27,830
Trade receivables (note 4)	44,690	64,191
Prepayments (note 5)	74,854	91,848
Other receivables (note 6)	101,714	68,888
Inventory (note 7)	204,335	134,995
Due from related parties (note 17)	-	47,425
	455,108	435,177
Non-current assets		
Plant and equipment (note 8)	1,583,391	1,537,514
Intangible assets (note 9)	3,784	4,082
Long-term deferred asset (note 10)	16,322	80,853
	€ 2,058,605	€ 2,057,626
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	33,794	61,971
Customer deposits	21,638	-
Due to related parties (note 17)	60,566	-
	115,998	61,971
Equity		
Share capital (note 12)	100	100
Additional paid-in capital (note 12)	2,989,569	2,989,569
Foreign currency translation reserve	455,628	263,435
Accumulated deficit	(1,502,690)	(1,257,449)
	1,942,607	1,995,655
	€ 2,058,605	€ 2,057,626

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

Signed by _____
Director



Signed by _____
Director



Jinchi Biotech Ltd.

Consolidated Statements of Operations and Comprehensive Loss

For the six months ended June 30, 2015 and 2014
(in Euros)

	For six months period ended	
	June 30, 2015	June 30, 2014
Revenues (note 13)	€ 84,653	€ 371,279
Cost of goods sold (note 13)	(37,373)	(150,227)
Sales taxes	-	(9,589)
Gross profit	47,280	211,463
Selling expenses (note 14)	(21,234)	(24,500)
General and administrative expenses (note 15)	(310,158)	(272,557)
Operating loss	(284,112)	(85,594)
Other income (note 16)	38,900	7,142
Other expenses	(29)	(623)
Loss before income taxes	(245,241)	(79,075)
Provision for income taxes	-	-
Loss for the period	(245,241)	(79,075)
Other comprehensive income (loss)		
Foreign currency translation adjustment	192,193	(18,535)
Total comprehensive loss	€ (53,048)	€ (97,610)
Loss per share		
Basic	(0.002)	(0.003)
Diluted	(0.002)	(0.003)
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 financial statements.

Jinchi Biotech Ltd.**Consolidated Statements of Changes in Equity**
(in Euros)

	Share capital	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income/(loss)	Total equity
Balance, January 1, 2015	€ 100	€ 2,989,569	€ (1,257,449)	€ 263,435	€ 1,995,655
Loss for the period	-	-	(245,241)	-	(245,241)
Foreign currency translation adjustment	-	-	-	192,193	192,193
Balance, June 30, 2015	€ 100	€ 2,989,569	€ (1,502,690)	€ 455,628	€ 1,942,607

Balance, January 1, 2014	€ 100	€ 1,741,258	€ (878,315)	€ 23,477	€ 886,520
Profit for the period	-	-	(79,075)	-	(79,075)
Capital injection	-	1,248,311	-	-	1,248,311
Foreign currency translation adjustment	-	-	-	(18,535)	(18,535)
Balance, June 30, 2014	€ 100	€ 2,989,569	€ (957,390)	€ 4,942	€ 2,037,221

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

Jinchi Biotech Ltd.

Consolidated Statements of Cash Flows

For the six months ended June 30, 2015 and 2014
(in Euros)

	For the six months period ended	
	June 30, 2015	June 30, 2014
Cash flows used in operating activities		
Loss for the period	€ (245,241)	€ (79,075)
Items not affecting cash:		
Depreciation and amortization	160,957	125,766
Changes in non-cash working capital items:		
Trade receivables	25,032	(129,551)
Prepayments and other receivables	(958)	11,765
Inventory	(57,644)	(9,101)
Other current assets	-	(13,314)
Accounts payable and other payable	(33,360)	8,854
Customer deposits	21,625	(8,329)
	(129,589)	(92,985)
Cash flows used in investing activities		
Addition of fixed assets	-	(258)
Addition of intangible assets	-	-
	-	(258)
Cash flows from financing activities		
Capital injection	-	1,246,514
Advance from related parties	130,819	(1,047,835)
	130,819	198,679
Effect of foreign exchange rate changes on cash and cash equivalents	455	(4,036)
Increase in cash and cash equivalents	1,685	101,400
Cash and cash equivalents, beginning of period	27,830	50,402
Cash and cash equivalents, end of period	€ 29,515	€ 151,802

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

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

1. Nature of Business

Jinchi Biotech Ltd. (the "Company") was incorporated on March 13, 2014 under the British Virgin Islands ("BVI") Business Companies Act. The principal activity of the Company is investment holding. Its wholly-owned subsidiary Jinchi Enterprise Ltd. (the "Jinchi Enterprise") was incorporated on March 25, 2014 under the BVI Business Company Act. Through Jinchi Enterprise's wholly-owned subsidiary, Divine Spring International Limited ("HK Divine Spring") which was registered in Hong Kong, and the Company incorporated a subsidiary – Zhangjiajie Divine Spring Enterprise Management and Consulting Co., Ltd. ("Zhangjiajie Divine Spring") in the People's Republic of China ("PRC") on March 24, 2014.

On May 16, 2014, Zhangjiajie Divine Spring entered an Exclusive Comprehensive Cooperation Agreements ("Agreements") with Zhangjiajie (China) Jinchi Giant Salamander Biological Technology Co., Ltd. ("Zhangjiajie Jinchi"), a limited liability company which was established on January 12, 2009. In accordance with the agreements, Zhangjiajie Jinchi retains Zhangjiajie Divine Spring as an exclusive service provider, including but not limited to corporate governance, management in operation and financial regulations, strategic consultation, and etc. Zhangjiajie Divine Spring is entitled to receive all of the net profits of Zhangjiajie Jinchi for each fiscal year as the consideration for the services provided.

Zhangjiajie Jinchi, the operating company, is in Biotech Industry. Its approved scope of business includes: giant salamander protection; tourism and tourist souvenirs development and sales; biotechnology research and development and product sales; cigarettes and cigars retail; merchandise sales; Pre-packaged foods, bulk foods, dairy products (excluding infant formula milk powder) wholesale and retail.

2. Significant Accounting Policies

Statement of compliance

The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly they do not include all of the information required for full annual financial statements required by IAS 1 Presentation of Financial Statements of the International Financial Reporting Standards ("IFRS") as issued by the IASB. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014, which include information necessary to understand the Company's business and financial statement presentation.

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.

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

2. Significant Accounting Policies - continues

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2015 are the same as those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2014.

In the current interim period, the Group has applied for the first time the following amendments to IFRSs issued by the IASB.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

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.

New and revised IFRSs issued but not yet effective

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ¹
Amendments to IAS 1	Disclosure Initiative ³
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization ³
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ³
Amendments to IAS 27	Equity Method in Separate Financial Statements ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 Cycle ³

¹ Effective for annual periods beginning on or after January 1, 2018.

² Effective for first annual IFRS financial statements beginning on or after January 1, 2016.

³ Effective for annual periods beginning on or after January 1, 2016.

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

3. Cash and Cash Equivalents

	June 30, 2015	December 31, 2014
Cash on hand	€ 1,037	€ 1,430
Cash in bank	28,478	26,400
	€ 29,515	€ 27,830

4. Trade Receivable

	June 30, 2015	December 31, 2014
Small commodities sales	€ 17,839	€ 25,850
Tickets sales	26,851	38,341
	€ 44,690	€ 64,191

No allowance for doubtful debt was provided or reversed during the period ended June 30, 2015 and the year end December 31, 2014.

Below is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on invoice dates at end of the reporting periods, which approximately the respective revenue recognition date.

	June 30, 2015	December 31, 2014
Within 90 days	€ 46	€ 4,137
91 - 180 days	865	52,157
181 - 365 days	43,779	7,897
	€ 44,690	€ 64,191

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

5. Prepayments

	June 30, 2015	December 31, 2014
By nature		
Deposits for purchase contracts	€ 34,874	€ 56,162
Prepayment for design fees	17,594	16,195
Prepayment for raw materials	22,386	19,491
	€ 74,854	€ 91,848

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

	June 30, 2015	December 31, 2014
Within 90 days	€ 12,230	€ 19,491
91 - 180 days	10,156	-
Over 1 year	52,468	72,357
	€ 74,854	€ 91,848

6. Other Receivables

	June 30, 2015	December 31, 2014
Deposits	€ 18,741	€ 27,867
Employee advances	76,435	35,921
Other business taxes	6,538	5,100
	€ 101,714	€ 68,888

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

6. Other Receivables - continues

	June 30, 2015	December 31, 2014
Within 90 days	€ 54,727	€ 19,158
91 - 180 days	179	19,640
181 - 365 days	32,292	16,820
Over 1 year	14,516	13,270
	€ 101,714	€ 68,888

7. Inventory

	June 30, 2015	December 31, 2014
Small commodities	€ 84,473	€ 12,478
Cosmetics	49,126	84,687
Consignment materials	51,649	37,717
Raw materials	19,087	113
	€ 204,335	€ 134,995

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

8. Plant and Equipment

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

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Construction in Progress	Total
Cost								
Balance at December 31, 2013	€ 627,339	€ 861,831	€ 118,120	€ 12,470	€ 20,242	€ 1,227	-	€ 1,641,229
Additions	-	-	9,331	-	-	-	-	9,331
Effect of foreign currency exchange differences	67,705	93,013	13,553	1,346	2,184	132	-	177,933
Balance at December 31, 2014	€ 695,044	€ 954,844	€ 141,004	€ 13,816	€ 22,426	€ 1,359	-	€ 1,828,493
Additions	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	60,040	82,481	12,180	1,193	1,938	117	-	157,949
Balance at June 30, 2015	€ 755,084	€ 1,037,325	€ 153,184	€ 15,009	€ 24,364	€ 1,476	-	€ 1,986,442

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

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Total
Balance at December 31, 2013	€ 35,446	€ 43,092	€ 34,921	€ 3,965	€ 1,383	€ 689	€ 119,496
Depreciation expense	31,141	87,903	23,318	2,416	981	238	145,997
Effect of foreign currency exchange differences	6,510	12,232	5,011	1,353	233	147	25,486
Balance at December 31, 2014	73,097	143,227	63,250	7,734	2,597	1,074	290,979
Depreciation expense	18,363	51,835	14,544	1,425	578	140	86,885
Effect of foreign currency exchange differences	6,326	12,403	5,472	669	225	92	25,187
Balance at June 30, 2015	€ 97,786	€ 207,465	€ 83,266	€ 9,828	€ 3,400	€ 1,306	€ 403,051

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Total
Net book amount							
At December 31, 2014	€ 621,947	€ 811,617	€ 77,754	€ 6,082	€ 19,829	€ 285	€ 1,537,514
At June 30, 2015	€ 657,298	€ 829,860	€ 69,918	€ 5,181	€ 20,964	€ 170	€ 1,583,391

The Company did not record any impairment provision for the period ended June 30, 2015 and for the year ended December 31, 2014.

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

9. Intangible Assets

	Patent	Trade mark	Total
<i>Cost</i>			
Balance at December 31, 2013	€ -	€ -	€ -
Additions	2,120	1,985	4,105
Effect of foreign currency exchange differences	182	171	353
Balance at December 31, 2014	€ 2,302	€ 2,156	€ 4,458
Additions	-	-	-
Effect of foreign currency exchange differences	199	187	386
Balance at June 30, 2015	€ 2,501	€ 2,343	€ 4,844

Movements in the accumulated depreciation of intangible assets were as follows:

Accumulated depreciation

	Patent	Trade mark	Total
Balance at December 31, 2013	-	-	-
Depreciation expense	347	-	347
Effect of foreign currency exchange differences	29	-	29
Balance at December 31, 2014	€ 376	€ -	€ 376
Depreciation expense	417	234	651
Effect of foreign currency exchange differences	33	-	33
Balance at June 30, 2015	€ 826	€ 234	€ 1,060

Net book amount:	Patent	Trade mark	Total
At December 31, 2014	€ 1,926	€ 2,156	€ 4,082
At June 30, 2015	€ 1,675	€ 2,108	€ 3,784

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

10. Long-term Deferred Assets

	June 30, 2015	December 31, 2014
Leasehold improvements	€ 80,853	€ 191,808
Amortization	(74,071)	(121,203)
Effect of foreign currency exchange differences	9,540	10,248
	€ 16,322	€ 80,853

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

11. Accounts Payable and Accrued Liabilities

	June 30, 2015	December 31, 2014
Trade payable	€ 19,589	€ 39,744
Other payable and accrued liabilities	14,205	22,227
	€ 33,794	€ 61,971

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

12. Share Capital

Common share	Number of Shares	Share capital
Authorized and issued		
On March 13, 2014 (date of incorporation) and December 31, 2014 and June 30, 2015	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 Company. A nominal amount of €100 is recorded as share capital as of June 30, 2015 and December 31, 2014.

During the year ended December 31, 2014, additional capital contribution of €1,248,311 (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, 2015 and December 31, 2014.

On August 14, 2014, the original shareholder of the Company sold majority of his ownership to various parties at 0.06 Euro per share. After the transaction, the original shareholder owns 9.9% of the Company's common share, and there are two other parties own over 10% of common shares respectively.

13. Revenue

	June 30, 2015	June 30, 2014
Tickets sales	€ 23,203	€ 153,043
Small commodities sales	33,007	129,583
Cosmetics sales	28,443	88,653
	€ 84,653	€ 371,279
Cost of sales	37,373	150,227
Sales tax	-	9,589
Gross Margin	€ 47,280	€ 211,463

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

14. Selling Expenses

	June 30, 2015	June 30, 2014
Tickets commission fees	€ 297	€ 229
Advertising fees	1,678	17,359
Science and Technology Museum utilities fees	9,662	6,912
Online selling marketing fee	9,597	-
	€ 21,234	€ 24,500

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

15. General and Administrative Expenses

	June 30, 2015	June 30, 2014
Salaries and employee benefits	€ 92,123	€ 52,495
Office supplies	3,986	1,103
Transportation expenses	400	34
Vehicle expenses	3,402	6,443
Meals and entertainments	8,313	1,956
Telephone charges	244	439
Utilities	166	52
Travel expenses	5,533	9,522
Meals	1,830	89
Depreciation	86,885	17,241
Amortization of long-term prepaid assets	74,071	58,706
Expenses for expert building	222	260
Employees welfare	1,409	355
Science and Technology Museum maintenance fees	247	-
Moving expenses	1,184	306
Local Taxes	3,678	649
Other fees	729	6,947
Low value consumptions	93	-
Repairs and maintenance costs	118	2,631
Land use fees	703	577
Disabled security payments	1,024	447
Union fees	819	326
Social securities	4,635	2,829
Unemployment insurance	496	310
Medical insurance	2,191	878
Research and development costs	288	7,583
Consulting fees	3,328	102,123
Meeting	83	329
Environmental fees	11,526	-
Exchange gain/loss	-	(7,683)
Bank charges	370	68
Others	62	5,542
	€ 310,158	€ 272,557

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

16. Other Incomes

	June 30, 2015 ⁽²⁾	June 30, 2014 ⁽¹⁾
Government Grants	€ 38,900	€ 7,102
Interest income	-	40
	€ 38,900	€ 7,142

The government grants included the followings:

- (1) In January 2014, Zhangjiajie Jinchi received a government grant of €1,185 (RMB 10,000) from Science and Technology Bureau of Zhangjiajie City. In April 2014, the Company received a special funding of €5,917 (RMB 50,000) from local government to support its operation.
- (2) During the six month period ended June 30, 2015, the Company received € 28,833 (RMB 200,000) from Hunan Province medium to small size business development project, and €7,200 (RMB 50,000) of special funding from Agriculture and Animal Bureau of Zhangjiajie City, and €2,883 (RMB 20,000) from Science and Technology Bureau of Zhangjiajie City.

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(in Euros)

17. Related Parties and Related Parties Transactions

Balance due from (to) related parties

Accounts	Related Parties	June 30, 2015	December 31, 2014	Nature of the transactions
Due from (to) related parties	Hunan Jinchi Landscape Company Limited	89,852	6,379	Working capital borrowings
Due from (to) related parties	One director and a shareholder	(217,770)	(185,391)	Fees paid on behalf of the Company
Due from related parties	One Director and a shareholder	67,352	226,437	Advances

Hunan Jinchi Landscape Company Limited (the "Landscape") is a company under common control with the Company as at December 31, 2014, and June 30, 2015.

18. 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 €14,416 (RMB 100,000) which was recorded as other receivable. The rent for the first ten years is €28,832 (RMB 200,000) per annum, and the rent is subjected to an annual increase of €1,442 (RMB 10,000) for the years subsequent to the first ten years.