

Jinchi Biotech Ltd.

Interim Condensed Consolidated Report

For the six months ended June 30, 2016

(Expressed in Euro)

143070301083

INDEPENDENT AUDITOR'S REVIEW REPORT

XiangYuanYang (2016) Review No.2067

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, 2016, 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, 2016 and 2015, 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 15, 2016



Jinchi Biotech Ltd.

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Jinchi Biotech Ltd.

Interim Condensed Consolidated Statements of Financial Position

(in Euros)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents (note 3)	€ 64,814	€ 42,612
Trade receivables (note 4)	30,202	34,629
Prepayments (note 5)	67,503	77,872
Other receivables (note 6)	24,013	25,304
Inventory (note 7)	208,147	189,790
Due from related parties (note 17)	63,344	66,167
	458,023	436,374
Non-current assets		
Plant and equipment (note 8)	1,451,148	1,608,204
Intangible assets (note 9)	4,580	3,949
Long-term deferred asset (note 10)	-	-
	€ 1,913,751	€ 2,048,527
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	50,193	46,914
Customer deposits	42,313	14,163
Due to related parties (note 17)	350,836	217,770
	443,342	278,847
Equity		
Share capital (note 12)	100	100
Additional paid-in capital (note 12)	2,989,569	2,989,569
Foreign currency translation reserve	335,034	417,939
Accumulated deficit	(1, 854,294)	(1,637,928)
	1,470,409	1,769,680
	€ 1,913,751	€ 2,048,527

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, 2016 and 2015

(in Euros)

	For six months period ended	
	June 30, 2016	June 30, 2015
Revenues (note 13)	€ 67,510	€ 84,653
Cost of goods sold (note 13)	(37,863)	(37,373)
Sales taxes	(320)	-
Gross profit	29,327	47,280
Selling expenses (note 14)	(25,615)	(21,234)
General and administrative expenses (note 15)	(239,600)	(310,158)
Operating loss	(235,888)	(284,112)
Other income (note 16)	19,522	38,900
Other expenses	-	(29)
Loss before income taxes	(216,366)	(245,241)
Provision for income taxes	-	-
Loss for the period	(216,366)	(245,241)
Other comprehensive income (loss)		
Foreign currency translation adjustment	(82,905)	192,193
Total comprehensive loss	€ (299,271)	€ (53,048)
Loss per share		
Basic	(0.007)	(0.002)
Diluted	(0.007)	(0.002)
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, 2016	€ 100	€ 2,989,569	€ (1,637,928)	€ 417,939		€ 1,769,680
Loss for the period	-	-	(216,366)	-		(216,366)
Foreign currency translation adjustment	-	-	-	(82,905)		(82,905)
Balance, June 30, 2016	€ 100	€ 2,989,569	€ (1,854,294)	€ 335,034		€ 1,470,409
Balance, January 1, 2015	€ 100	€ 2,989,569	€ (1,257,449)	€ 263,435		€ 1,995,655
Loss for the period	-	-	(245,241)	-		(245,241)
Capital injection	-	-	-	-		-
Foreign currency translation adjustment	-	-	-	192,193		192,193
Balance, June 30, 2015	€ 100	€ 2,989,569	€ (1,502,690)	€ 455,628		€ 1,942,607

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, 2016 and 2015
(in Euros)

	For the six months period ended	
	June 30, 2016	June 30, 2015
Cash flows used in operating activities		
Loss for the period	€ (216,366)	€ (245,241)
Items not affecting cash:		
Depreciation and amortization	90,407	160,957
Changes in non-cash working capital items:		
Trade receivables	2,981	25,032
Prepayments and other receivables	7,386	(958)
Inventory	(26,742)	(57,644)
Other current assets	-	-
Accounts payable and other payable	4,863	(33,360)
Customer deposits	29,065	21,625
	(108,406)	(129,589)
Cash flows used in investing activities		
Addition of intangible assets	(1,819)	-
	(1,819)	-
Cash flows from financing activities		
Advance from related parties	134,506	130,819
	134,506	130,819
Effect of foreign exchange rate changes on cash and cash equivalents	(2,079)	455
Increase in cash and cash equivalents	22,202	1,685
Cash and cash equivalents, beginning of period	42,612	27,830
Cash and cash equivalents, end of period	€ 64,814	€ 29,515

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, 2016

(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, 2015, 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, 2016

(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, 2016 are the same as those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015.

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

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 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.

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

3. Cash and Cash Equivalents

	June 30, 2016	December 31, 2015
Cash on hand	€ 269	€ 3,112
Cash in bank	57,740	32,410
Restricted cash	6,804	7,090
	€ 64,814	€ 42,612

4. Trade Receivable

	June 30, 2016	December 31, 2015
Small commodities sales	€ 13,558	€ 14,411
Tickets sales	16,644	20,218
	€ 30,202	€ 34,629

No allowance for doubtful debt was provided or reversed during the period ended June 30, 2016 and the year end December 31, 2015.

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, 2016	December 31, 2015
Within 90 days	€ 30,202	€ 223
91 - 180 days	-	-
181 - 365 days	-	34,406
	€ 30,202	€ 34,629

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

5. Prepayments

	June 30, 2016	December 31, 2015
By nature		
Deposits for purchase contracts	€ 19,280	€ 42,649
Prepayment for design fees	16,547	17,285
Prepayment for raw materials	31,676	17,938
	€ 67,503	€ 77,872

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

	June 30, 2016	December 31, 2015
Within 90 days	€ 17,066	€ 20,887
91 - 180 days	50,437	5,091
181-365day	-	349
Over 1 year	-	51,545
	€ 67,503	€ 77,872

6. Other Receivables

	June 30, 2016	December 31, 2015
Deposits	€ 18,304	€ 22,660
Employee advances	1,579	2,107
Other business taxes	2,567	537
Others	1,563	-
	€ 24,013	€ 25,304

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Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

6. Other Receivables - continues

	June 30, 2016	December 31, 2015
Within 90 days	€ 6,124	€ 10,305
91 - 180 days	17,789	28
181 - 365 days	-	708
Over 1 year	100	14,263
	€ 24,013	€ 25,304

7. Inventory

	June 30, 2016	December 31, 2015
Small commodities	€ 38,272	€ 56,251
Cosmetics	-	-
Consignment materials	144,778	121,551
Raw materials	25,097	11,988
	€ 208,147	€ 189,790

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(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, 2014	€ 695,044	€ 954,844	€ 141,004	€ 13,816	€ 22,426	€ 1,359	€ -	€1,828,493
Additions	-	143,404	-	-	-	-	-	143,404
Effect of foreign currency exchange differences	46,758	62,458	9,486	929	1,509	91	-	121,231
Balance at December 31, 2015	€ 741,802	€ 1,160,706	€ 150,490	€ 14,745	€ 23,935	€ 1,450	-	€2,093,128
Additions	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	(31,651)	(49,526)	(6,422)	(629)	(1,021)	(62)	-	(89,311)
Balance at June 30, 2016	€ 710,151	€ 1,111,180	€ 144,068	€ 14,116	€ 22,914	€ 1,388	-	€2,003,817

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, 2014	€ 73,097	€ 143,227	€ 63,250	€ 7,734	€ 2,597	€ 1,074	€ 290,979
Depreciation expense	36,568	106,772	28,952	2,837	1,151	280	176,560
Effect of foreign currency exchange differences	4,464	8,312	3,896	485	160	68	17,385
Balance at December 31, 2015	114,129	258,311	96,098	11,056	3,908	1,422	484,924
Depreciation expense	17,493	56,161	13,835	1,356	550	-	89,395
Effect of foreign currency exchange differences	(5,057)	(11,624)	(4,249)	(487)	(171)	(62)	(21,650)
Balance at June 30, 2016	€ 126,565	€ 302,848	€ 105,684	€ 11,925	€ 4,287	€ 1,360	€ 552,669

	Building	Machinery	Electronic equipment	Office equipment	Exhibition equipment	Furniture	Total
Net book amount							
At December 31, 2015	€ 627,673	€ 902,395	€ 54,392	€ 3,689	€ 20,027	€ 28	€1,608,204
At June 30, 2016	€ 583,586	€ 808,332	€ 38,384	€ 2,191	€ 18,627	€ 28	€1,451,148

The Company did not record any impairment provision for the period ended June 30, 2016 and for the year ended December 31, 2015.

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Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

9. Intangible Assets

	Patent	Trade mark	Software	Total
<i>Cost</i>				
Balance at December 31, 2014	€ 2,302	€ 2,156	€ -	€ 4,458
Additions	993	-	-	993
Effect of foreign currency exchange differences	143	145	-	288
Balance at December 31, 2015	€ 3,438	€ 2,301	€ -	€ 5,739
Additions	1,021	-	798	1,819
Effect of foreign currency exchange differences	(158)	(98)	(8)	(264)
Balance at June 30, 2016	€ 4,301	€ 2,203	€ 7,90	€ 7,294

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

Accumulated depreciation

	Patent	Trade mark	Software	Total
Balance at December 31, 2014	376	-	-	376
Depreciation expense	940	466	-	1,406
Effect of foreign currency exchange differences	14	(6)	-	8
Balance at December 31, 2015	€ 1,330	€ 460	€ -	€ 1,790
Depreciation expense	583	223	206	1,012
Effect of foreign currency exchange differences	(63)	(22)	(3)	(88)
Balance at June 30, 2016	€ 1,850	€ 661	€ 203	€ 2,714

Net book amount:	Patent	Trade mark	Software	Total
At December 31, 2015	€ 2,108	€ 1,841	€ -	€ 3,949
At June 30, 2016	€ 2,451	€ 1,542	€ 587	€ 4,580

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

10. Long-term Deferred Assets

	June 30, 2016	December 31, 2015
Leasehold improvements	€ -	€ 80,853
Amortization	-	(90,585)
Effect of foreign currency exchange differences	-	9,732
	€ -	€ -

Leasehold improvements are amortized over 5 years. The remaining life of leasehold improvement is nil as of June 30, 2016 and December 31, 2015

11. Accounts Payable and Accrued Liabilities

	June 30, 2016	December 31, 2015
Trade payable	€ 24,998	€ 10,639
Other payable and accrued liabilities	24,029	35,995
Other tax payable	1,166	280
	€ 50,193	€ 46,914

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(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, 2015 and June 30, 2016	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, 2016 and December 31, 2015.

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, 2016	June 30, 2015
Tickets sales	€ 5,251	€ 23,203
Small commodities sales	13,811	33,007
Cosmetics sales	11,576	28,443
Others	36,872	-
	€ 67,510	€ 84,653
Cost of sales	37,863	37,373
Sales tax	320	-
Gross Margin	€ 29,327	€ 47,280

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

14. Selling Expenses

	June 30, 2016	June 30, 2015
Tickets commission fees	€ 363	€ 297
Advertising fees	13,881	1,678
Science and Technology Museum utilities fees	7,428	9,662
Online selling marketing fee	3,943	9,597
	€ 25,615	€ 21,234

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

15. General and Administrative Expenses

	June 30, 2016	June 30, 2015
Salaries and employee benefits	€ 70,999	€ 92,123
Office supplies	1,320	3,986
Transportation expenses	503	400
Vehicle expenses	2,945	3,402
Meals and entertainments	1,860	8,313
Telephone charges	603	244
Utilities	540	166
Travel expenses	2,652	5,533
Meals	1,898	1,830
Depreciation	89,394	86,885
Amortization of long-term prepaid assets	-	74,071
Expenses for expert building	68	222
Employees welfare	2,906	1,409
Science and Technology Museum maintenance fees	-	247
Moving expenses	-	1,184
Local Taxes	-	3,678
Other fees	272	729
Low value consumptions	1,011	93
Repairs and maintenance costs	53	118
Property tax	39	-
Land use fees	669	703
Disabled security payments	779	1,024
Union fees	415	819
Social securities	3,051	4,635
Unemployment insurance	165	496
Medical insurance	944	2,191
Research and development costs	8,782	288
Consulting fees	45,209	3,328
Meeting	-	83
Environmental fees	-	11,526
Bank charges	794	370
Rent	1,680	
Others	49	62
	€ 239,600	€ 310,158

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

16. Other Incomes

	June 30, 2016 ⁽²⁾	June 30, 2015 ⁽¹⁾
Government Grants	€ 6,853	€ 38,900
Tax refund	12,669	-
Interest income	-	-
	€ 19,522	€ 38,900

The government grants included the followings:

- (1) 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 €7,184 (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.
- (2) During the six month period ended June 30, 2016, the Company received € 6,853 (RMB 50,000) of special funding from Agriculture and Animal Bureau of Zhangjiajie City, and €12,669 (RMB 92,441) from local tax authority as refund of business taxes and value added taxes.

Jinchi Biotech Ltd.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

(in Euros)

(3)

17. Related Parties and Related Parties Transactions

Balance due from (to) related parties

Accounts	Related Parties	June 30, 2016	December 31, 2015	Nature of the transactions
Due from (to) related parties	Hunan Jinchi Landscape Company Limited	(133,066)	-	Working capital borrowings
Due from (to) related parties	One director and a shareholder	(217,770)	(217,770)	Fees paid on behalf of the Company
Due from related parties	One Director and a shareholder	63,344	66,167	Advances

Hunan Jinchi Landscape Company Limited (the "Landscape") is a company under common control with the Company as at June 30, 2016 and December 31, 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 €13,558 (RMB 100,000) which was recorded as other receivable as at June 30, 2016 (December 31, 2015: €14,416 (RMB 100,000)). The rent for the first ten years is €27,116 (RMB 200,000) per annum, and the rent is subjected to an annual increase of €1,356 (RMB 10,000) for the years subsequent to the first ten years.