

# **Xiamen Eagledon Pharmaceutical Co., Limited**

*(A company incorporated in the People's Republic of China)*

## **2015 FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**



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# Statement of Profit or Loss and Other Comprehensive Income

**For the year ended 31 December 2015**

	<b>Note</b>	<b>2015 RMB'000</b>	<b>2014 RMB'000</b>
Revenue	2	340,020	280,019
Cost of sales		(156,060)	(133,391)
<b>Gross profit</b>		<b>183,960</b>	<b>146,628</b>
Other revenues	2	3,631	364
Employee benefits	3	(7,118)	(5,976)
Sales and marketing		(64,019)	(49,152)
Distribution and freight		(12,640)	(9,769)
Research and development		(8,867)	(8,837)
Depreciation and amortisation	3	(851)	(1,107)
Other expenses		(2,051)	(2,219)
Finance costs	4	(4,119)	(3,957)
<b>Profit before income tax</b>		<b>87,926</b>	<b>65,975</b>
Income tax expense	5	(22,442)	(17,595)
<b>Profit for the year</b>		<b>65,484</b>	<b>48,380</b>

*These financial statements should be read in conjunction with the accompanying notes.*

# Statement of Financial Position

**As at 31 December 2015**

	Note	2015 RMB'000	2014 RMB'000
<b>Current assets</b>			
Cash and cash equivalents	8	17,653	23,088
Trade and other receivables	9	72,234	50,708
Inventory	10	10,458	9,888
Available for sale financial assets	11	22,275	4,100
<b>Total current assets</b>		<b>122,620</b>	<b>87,784</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	64,528	71,596
Land use rights	13	2,437	2,499
<b>Total non-current assets</b>		<b>66,965</b>	<b>74,095</b>
<b>Total assets</b>		<b>189,585</b>	<b>161,879</b>
<b>Current liabilities</b>			
Trade and other payables	14	30,838	25,802
Financial liabilities	15	53,927	50,000
Current tax liabilities	16	9,443	7,943
<b>Total current liabilities</b>		<b>94,208</b>	<b>83,745</b>
<b>Non-current liabilities</b>			
Financial liabilities	15	1,759	-
<b>Total non-current liabilities</b>		<b>1,759</b>	<b>-</b>
<b>Total liabilities</b>		<b>95,967</b>	<b>83,745</b>
<b>Net assets</b>		<b>93,618</b>	<b>78,134</b>
<b>Equity</b>			
Contributed capital	17	10,000	10,000
Reserves	19	5,000	5,000
Retained earnings		78,618	63,134
<b>Total equity</b>		<b>93,618</b>	<b>78,134</b>

*These financial statements should be read in conjunction with the accompanying notes.*

# Statement of Changes in Equity

For the year ended 31 December 2015

	Contributed Capital RMB'000	Statutory Reserve RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Balance at 1 January 2014</b>	<b>10,000</b>	<b>5,000</b>	<b>64,754</b>	<b>79,754</b>
Dividend declared/paid	-	-	(50,000)	(50,000)
<b>Transactions with owners as their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>(50,000)</b>	<b>(50,000)</b>
Profit for the year	-	-	48,380	48,380
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>48,380</b>	<b>48,380</b>
<b>Balance at 31 December 2014</b>	<b>10,000</b>	<b>5,000</b>	<b>63,134</b>	<b>78,134</b>
Dividend declared/paid	-	-	(50,000)	(50,000)
<b>Transactions with owners as their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>(50,000)</b>	<b>(50,000)</b>
Profit for the year	-	-	65,484	65,484
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>65,484</b>	<b>65,484</b>
<b>Balance at 31 December 2015</b>	<b>10,000</b>	<b>5,000</b>	<b>78,618</b>	<b>93,618</b>

These financial statements should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

## For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>			
Receipts from customers		376,297	321,797
Payments to suppliers and employees		(297,477)	(247,244)
Government subsidies received		3,454	255
Interest received		177	109
Finance costs		(4,119)	(3,957)
Income tax paid		(20,942)	(16,509)
Net cash provided by (used in) operating activities	22	57,390	54,451
<b>Cash flows from investing activities</b>			
Loan repayment from unrelated parties			2,000
Purchase of property, plant and equipment		(337)	(1,210)
Sale of available for sale financial asset		6,000	-
Purchase of available for sale financial asset		(24,175)	(2,250)
Net cash provided by (used in) investing activities		(18,512)	(1,460)
<b>Cash flows from financing activities</b>			
Loan repayment from related parties		-	203
Loan made to related parties		-	(203)
Proceeds from short-term borrowings		5,687	5,000
Dividend paid		(50,000)	(50,000)
Net cash provided by (used in) financing activities		(44,313)	(45,000)
Net change in cash and cash equivalents held		(5,435)	7,991
Cash and cash equivalents at beginning of financial year		23,088	15,097
Cash and cash equivalents at end of financial year	8	17,653	23,088

*These financial statements should be read in conjunction with the accompanying notes.*

# Notes to the Financial Statements for the year ended 31 December 2015

## 1 Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Xiamen Eagledon Pharmaceutical Co., Ltd (“the Company”) is a company limited by registered capital contribution made by owners, incorporated and domiciled in the People’s Republic of China.

The financial statements were authorised for issue by the directors on 18 November 2016.

### Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. All amounts are presented in Chinese Yuan (RMB) which is the Company’s functional and presentational currency, unless otherwise noted.

### Significant accounting policies

#### a. Income Tax

The income tax expense for the year comprises current income tax expense.

##### *Current tax*

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

##### *Deferred tax*

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

## Notes to the Financial Statements

### For the year ended 31 December 2015

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Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

#### **b. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

#### **Depreciation**

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.



## Notes to the Financial Statements

### For the year ended 31 December 2015

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The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Residual Value	Depreciation Basis
Office equipment	3-5 years	5%	Straight line
Manufacturing equipment	5-20 years	5%	Straight line
Motor vehicle	4-10 years	5%	Straight line
Buildings	20 years	5%	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

#### c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

#### d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**e. Financial Instruments**

**Initial recognition and measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial instruments are classified and measured as set out below.

*Effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

**Classification and subsequent measurement**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments.

## Notes to the Financial Statements

### For the year ended 31 December 2015

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#### *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### *Held-to-maturity investments*

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

#### *Financial liabilities*

The Company's financial liabilities include trade and other payables. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### *Impairment of financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

## Notes to the Financial Statements

### For the year ended 31 December 2015

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The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

#### **f. Impairment of Non-Financial Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **g. Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

## Notes to the Financial Statements

### For the year ended 31 December 2015

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#### **h. Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **i. Revenue**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from sale of goods is recognised when the Company has transferred significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants and subsidies are recognised upon receipt from the government.

All revenue is stated net of the amount of value added tax (VAT).

#### **j. Borrowings**

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the statement of profit and loss and other comprehensive income over the period of the borrowing on an effective interest basis.

#### **k. Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Local Taxation Office. In these circumstances, the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

#### **l. Intangible Assets – Research and Development (R&D)**

Expenditure associated with the research and development of products are recognised as an expense as incurred. R&D expenditures are recognised as intangible assets when they are directly attributable to the design and testing of identifiable and unique products.

R&D expenditures have not been recognised as an intangible asset during the current period as expenditures are not directly attributable to the design and testing of an identifiable and unique product.

## Notes to the Financial Statements

### For the year ended 31 December 2015

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#### **m. Segment Reporting**

Operating segments are presented on the same basis as the internal reports provided to the Chief Operating Decision Makers (“CODM”). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### **n. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **o. Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **p. Land use rights**

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of land use rights over their estimated useful lives.

#### **q. Accounting standards not yet effective**

At the date of the authorisation of the financial statements, a number of new accounting standards and interpretations that have been published that are not mandatory for current reporting period. In the Director’s opinion, the following standards on issue but not yet effective are most likely to impact the amounts reported by the Company in future financial periods:

- IFRS 9 *Financial Instruments* (2014) (Application date: 1 January 2018)
- IFRS 15 *Revenue from Contracts with Customers* (Application date: 1 January 2018)
- IFRS 16 *Leases* (Application date: 1 January 2019)

Based on the Company’s preliminary assessment, the above standards are not expected to have a material impact on the transaction and balances recognised in the financial statements when they are adopted.

#### **r. Rounding of amounts**

Amounts in this report have been rounded off to the nearest thousand Chinese Yuan (RMB), or in certain cases, the nearest Chinese Yuan (RMB).

# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 2 Revenue

	2015 RMB'000	2014 RMB'000
<b>Operating activities</b>		
Sales of Goods	340,020	280,019
Total Revenue	340,020	280,019
<b>Non-operating activities</b>		
Government subsidies	3,454	255
Interest received	177	109
Total Other Income	3,631	364

### 3 Expenses

	2015 RMB'000	2014 RMB'000
<b>Depreciation and amortisation</b>		
Included in:		
- Cost of sales – manufacturing	6,616	6,586
- Other	851	1,107
Total depreciation and amortisation expenses	7,467	7,693
<b>Employee benefits</b>		
Included in:		
- Cost of sales – manufacturing	7,946	6,183
- Sales staff – sales and marketing	9,285	8,175
- Administration staff	7,118	5,976
Total employee benefits	24,349	20,334

### 4 Finance Costs

	2015 RMB'000	2014 RMB'000
<b>Finance costs</b>		
Interest expense for short term borrowing	4,106	3,923
Other expenses	13	34
Total finance costs	4,119	3,957

# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 5 Income Tax Expense

	2015 RMB'000	2014 RMB'000
<b>The components of tax expense comprise:</b>		
Current tax	22,442	17,595
<b>Total income tax expense</b>	<b>22,442</b>	<b>17,595</b>
<b>Reconciliation of tax expense</b>		
Profit before income tax	87,926	65,975
Prima facie tax payable on profit before income tax at China tax rate of 25%	21,982	16,494
Add:		
Tax effect of adjustments during the year	460	1,101
<b>Income tax attributable to the Company</b>	<b>22,442</b>	<b>17,595</b>
The applicable weighted average effective tax rate are as follows:	26%	27%

The Company is subject to the income tax law of People's Republic of China (PRC).

### 6 Segment Reporting

The Company operates in one segment being the manufacturing and distribution of nutritional products. This is based on the internal reports that are reviewed and used by the Board of Directors/Management Committee, who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and determining the allocation of resources.

The Company operates predominately in one geographical area where sales revenue is generated and non-current assets are located, being the People's Republic of China. The Companies assets and liabilities are not specifically allocated to operating segments.

The Board has considered the requirements of IFRS8 Operating Segments and the internal reports that are reviewed by the CODM in allocating resources and have concluded at this that there are no separately identifiable segments as there is currently no discrete financial information received by the chief operation decision maker.

### 7 Auditors' Remuneration

	2015 RMB'000	2014 RMB'000
Remuneration of the auditor of the Company		
- auditing or reviewing the financial report	317	317
<b>Total auditor's remuneration</b>	<b>317</b>	<b>317</b>

### 8 Cash and Cash Equivalents

	2015 RMB'000	2014 RMB'000
Cash on hand	143	157
Cash at bank	17,510	17,931
Fixed term deposits	-	5,000
<b>Total cash and cash equivalents</b>	<b>17,653</b>	<b>23,088</b>



# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 9 Trade and Other Receivables

	2015 RMB'000	2014 RMB'000
<b>Current</b>		
Trade receivables	71,863	50,439
Other receivables	371	269
<b>Total current trade and other receivables</b>	<b>72,234</b>	<b>50,708</b>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The company does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title.

The average credit period on sales of goods is 60 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on trade receivables.

Some of the unimpaired trade receivables are past due as at the reporting date. These relate to customers who have a good credit history with the Company and are expected to be recovered in full.

The age of trade receivables past due but not impaired is as follows:

	2015 RMB'000	2014 RMB'000
61 – 180 days	5	221
181-365 days	17	166
<b>Total</b>	<b>22</b>	<b>387</b>

### 10 Inventory

	2015 RMB'000	2014 RMB'000
<b>Current</b>		
Raw material	2,311	1,672
Finished good	6,078	6,871
Work in progress	2,069	1,345
<b>Total inventory</b>	<b>10,458</b>	<b>9,888</b>

**Notes to the Financial Statements**  
**For the year ended 31 December 2015**

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**11 Available for Sale Financial Assets**

		<b>2015</b> <b>RMB'000</b>	<b>2014</b> <b>RMB'000</b>
<b>Current</b>			
- Fujian Zheng Zhong Biotechnology Co., Limited	(i)	-	3,600
- Xiamen Ying Jun Agricultural Development Co., Limited	(ii)	22,275	500
<b>Total available for sale financial asset</b>		<b>22,275</b>	<b>4,100</b>

Available for sale financial assets comprises of equity interest in the following unquoted private entities:

**(i) Fujian Zheng Zhong Biotechnology Co., Limited**

The Company holds equity in Fujian Zheng Zhong Biotechnology Co., Limited (“Zheng Zhong”). The principal activities of the Company were the research and development of biotechnology surrounding various plant species. The amount is recognised at cost as the equity holding was not listed and there was no observable market data. The investment was sold to an unrelated party on 16 September 2015 at the carrying value.

**(ii) Xiamen Ying Jun Agricultural Development Co., Limited**

The Company invested in Xiamen Ying Jun Agricultural Development Co., Limited aiming to plant raw materials for herb based nutritional products of the Company. The amount is recognised at cost as the equity holdings are not listed and there is no observable market data. The investment was subsequently sold to an unrelated party on 22 June 2016 at the carrying value at that time.

**Notes to the Financial Statements**  
**For the year ended 31 December 2015**

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**12 Property, Plant and Equipment**

	2015 RMB'000	2014 RMB'000
<b>Machinery and Office Equipment</b>		
At cost	42,081	41,744
Accumulated depreciation	(16,359)	(11,794)
Total machinery and office equipment	25,722	29,950
<b>Buildings</b>		
At cost	55,145	55,145
Accumulated depreciation	(17,171)	(14,552)
Total buildings	37,974	40,593
<b>Motor Vehicles</b>		
At cost	2,342	2,342
Accumulated depreciation	(1,515)	(1,325)
Total motor vehicles	827	1,017
<b>Accounting Software</b>		
At cost	154	154
Accumulated depreciation	(149)	(118)
Total accounting software	5	36
<b>Total property, plant and equipment</b>	<b>64,528</b>	<b>71,596</b>

The buildings have been pledged against short-term borrowings with financial institutions. (Refer Note 15)

**a Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Machinery and Office Equipment	Buildings	Motor Vehicles	Accounting Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 31 December 2013</b>	<b>33,505</b>	<b>43,212</b>	<b>1,233</b>	<b>67</b>	<b>78,017</b>
Additions	1,210	-	-	-	1,210
Depreciation expense	(4,765)	(2,619)	(216)	(31)	(7,631)
<b>Balance at 31 December 2014</b>	<b>29,950</b>	<b>40,593</b>	<b>1,017</b>	<b>36</b>	<b>71,596</b>
Additions	337	-	-	-	337
Depreciation expense	(4,565)	(2,619)	(190)	(31)	(7,405)
<b>Balance at 31 December 2015</b>	<b>25,722</b>	<b>37,974</b>	<b>827</b>	<b>5</b>	<b>64,528</b>

# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 13 Land use Rights

	2015 RMB'000	2014 RMB'000
Cost	3,117	3,117
Accumulated Amortisation	(680)	(618)
Total land use rights	2,437	2,499

#### a Movements in Carrying Amounts

Movement in the carrying amounts for land use right between the beginning and the end of the current financial year:

	Land use rights RMB'000
Balance at 31 December 2013	2,561
Amortisation expense	(62)
Balance at 31 December 2014	2,499
Amortisation expense	(62)
Balance at 31 December 2015	2,437

#### 1) Land use rights relate to the following:

Location	Use of property	Land area (sq.metres)	Tenure
Land Registration – Xiamen Xiamen, Tong An, Mei He (Third) Road, #220-228	Industrial Plant	15,934	50 years (valid until 3 Feb 2055)

### 14 Trade and Other Payables

	2015 RMB'000	2014 RMB'000
<b>Current</b>		
Trade payables	16,939	15,136
Other tax payable	6,004	3,988
Salary payable	7,589	6,144
Other payables	306	534
Total trade and other payables	30,838	25,802

# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 15 Financial Liabilities

	2015 RMB'000	2014 RMB'000
<b>Current</b>		
Short-term borrowings***	53,000	40,000
Current portion of long-term borrowings	927	10,000
<b>Non-current</b>		
Long-term borrowings	1,759	-
<b>Total financial liabilities</b>	<b>55,686</b>	<b>50,000</b>

\*Short term borrowings are secured by buildings owned by the Company. (Refer Note 12). Personal guarantees are also provided by Mr. Zhang Ming Wang and Ms. Chen Lin Xiang (Shareholders of the Company) and also by a non-related party entity.

\*\*Interest is payable on rates between 7.50% to 9.50% per annum for the current financial year (2014: 7.80% p.a to 9.90% p.a.).

### 16 Taxation

	2015 RMB'000	2014 RMB'000
<b>Current</b>		
Income tax payable	9,443	7,943

### 17 Contributed Capital

	2015 RMB'000	2014 RMB'000
Paid-up capital	10,000	10,000

# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 18 Capital Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

### 19 Reserves

	2015 RMB'000	2014 RMB'000
Statutory reserve	5,000	5,000

#### *Statutory reserve*

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

### 20 Commitments

#### (a) Capital Commitments

No capital commitments exist as at 31 December 2015.

#### (b) Operating Commitments

No operating commitments exist as at 31 December 2015

# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 21 Events After the Reporting Date

Investments in Xiamen Ying Jun Agricultural Development Co., Limited was sold on 22 June 2016 respectively to unrelated parties (Refer to Note 11).

Dividends were declared and paid to shareholders during 2016 (RMB 60 million).

Other than the above, after the reporting date, no matters or circumstances has arisen that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial periods.

### 22 Cash Flow Information

Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	2015 RMB'000	2014 RMB'000
<b>Operating Profit/(Loss) after income tax</b>	<b>65,484</b>	<b>48,380</b>
<b>Non-cash flows in operating surplus</b>		
Depreciation	7,405	7,631
Amortisation	62	62
<b>Changes in assets and liabilities</b>		
(Increase)/Decrease in trade receivables	(21,527)	(5,826)
(Increase)/Decrease in inventory	(569)	(314)
Increase/(Decrease) in trade payables and accruals	3,019	2,404
Increase/(Decrease) in income tax payable	3,516	2,114
<b>Cash flows from operations</b>	<b>57,390</b>	<b>54,451</b>

### 23 Contingent Liabilities

The Company has no contingent liabilities or contingent assets as at 31 December 2015 (2014: nil).

# Notes to the Financial Statements

## For the year ended 31 December 2015

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### 24 Related party transactions

#### a) Details of key management personnel during the year as follows:

- ZHANG Ming Wang (General Manager/CEO)
- CHEN Lin Xiang (Deputy General Manager)
- ZHANG Shao Nan (Sales Manager)
- HUANG Ruo Ming (Procurement Manager)
- WANG Yu Qi (Chief Engineer)
- DENG Xiao Dong (Production Manager) (*appointed 25 August 2015*)
- HUANG Sheng Qi (Financial Controller)

#### b) Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors have an interest:

	2015 RMB'000	2014 RMB'000
<b>Fujian Zheng Zhong Biotechnology Co., Limited</b> (Director related entity)		
Advance to the related party	(2,400)	(2,000)
<b>Xiamen Ying Jun Agricultural Development Co., Limited</b> (Director related entity)		
Advance to the related party	(21,775)	(250)
<b>Chen Linxiang (Deputy GM)</b>		
Loan paid to the related party	-	(203)
Repayment received from the related party	-	203

No balances outstanding with related parties as at the end of the period (2014: nil).

Related party transactions have arisen from normal course of business and related party loans, no specific terms and conditions have been attached to the above transactions.

#### c) Key Management Personnel Remuneration

The aggregate compensation made to Directors and other members of key management personnel ('KMP') of the Company is set out below:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	3,193	2,455
Post-employment benefits	12	10
<b>Total KMP remuneration</b>	<b>3,205</b>	<b>2,465</b>



## **25 Financial Instrument Risk Management**

### **Risk management objectives and policies**

The Company is exposed to a variety of financial risks through its use of financial instruments.

### **Financial instruments used**

The principal categories of financial instrument used by the Company:

- Trade receivables
- Cash at bank
- Trade and other payables
- Short-term borrowings

The main types of risks are market risk, credit risk and liquidity risk.

This note discloses the Company's objectives, policies and processes for managing and measuring these risks.

The Company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

### ***Market risk analysis***

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk, customer concentration risk, and certain other price risks, which result from both its operating and investing activities

### ***Interest rate risk sensitivity***

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company's borrowings are predominately within 1 year, and hence are subject to minimal fair value changes.

### ***Price risk***

The Company's financial instruments are not exposed to price risk.

## Notes to the Financial Statements

### For the year ended 31 December 2015

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#### *Financial instrument composition and maturity analysis*

The table below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 Year		Interest Bearing Maturing within 2 Years		Non-interest Bearing Maturing within 1 Year		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial Assets:</b>										
- Cash and cash equivalents (Variable interest rate)	0.35% p.a.	0.35% p.a.	-	-	-	-	17,653	23,088	17,653	23,088
- Trade and other receivables	-	-	-	-	-	-	72,234	50,708	72,234	50,708
<b>Total Financial Assets</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,887</b>	<b>73,796</b>	<b>89,887</b>	<b>73,796</b>
<b>Financial Liabilities:</b>										
- Trade and other payables	-	-	-	-	-	-	30,838	25,802	30,838	25,802
- Short-term borrowing	7.85% p.a.	7.8% p.a.	53,927	50,000	-	-	-	-	53,927	50,000
- Long-term borrowing	9.7% p.a.	9.9% p.a.	-	-	1,759	-	-	-	1,759	-
<b>Total Financial Liabilities</b>			<b>53,927</b>	<b>50,000</b>	<b>1,759</b>	<b>-</b>	<b>30,838</b>	<b>25,802</b>	<b>86,524</b>	<b>75,802</b>
<b>Net Financial Assets (Liabilities)</b>									<b>3,363</b>	<b>(2,006)</b>

#### **Credit risk analysis**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level.

## Notes to the Financial Statements

### For the year ended 31 December 2015

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The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2015	2014
	RMB'000	RMB'000
Classes of financial assets -		
Carrying amounts:		
Cash and cash equivalents	17,653	23,088
Trade and other receivables	72,234	50,708
Available for sale financial assets	22,275	4,100
Total	112,162	77,896

The Company's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### *Liquidity risk*

Liquidity risk arises from the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt serving payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

	Weighted Average Effective Interest Rate		Maturing within 1 Year		Maturing within 2 Years		Total remaining contractual maturities	
	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial Assets:</b>								
- Cash and cash equivalents (Variable interest rate)	0.35% p.a.	0.35% p.a.	17,653	23,088	-	-	17,653	23,088
- Trade and other receivables	-	-	72,234	50,708	-	-	72,234	50,708
- Available for sale financial assets	-	-	22,275	4,100	-	-	22,275	4,100
<b>Total Financial Assets</b>			<b>112,162</b>	<b>77,896</b>	<b>-</b>	<b>-</b>	<b>112,162</b>	<b>77,896</b>
<b>Financial Liabilities:</b>								
- Trade and other payables	-	-	30,838	25,802	-	-	30,838	25,802
- Short-term borrowing	7.47% p.a.	7.8% p.a.	56,782	52,367	-	-	56,782	52,367
- Long-term borrowing	9.70%	9.90%	-	-	1,910	-	1,910	-
<b>Total Financial Liabilities</b>			<b>87,620</b>	<b>78,169</b>	<b>1,910</b>	<b>-</b>	<b>89,530</b>	<b>78,169</b>
<b>Net Financial Liabilities</b>							<b>22,632</b>	<b>(273)</b>

## **26 Fair value measurement**

### **Fair values**

The directors consider that the carrying amounts of financial assets and liabilities recognised at amortised cost in the Financial Statements approximate their fair values.

The Company does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

### **Valuation techniques and assumptions applied for the purpose of measuring fair value**

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price;
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

### **Fair value measurement recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which their fair value is observable.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

## Notes to the Financial Statements

### For the year ended 31 December 2015

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	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2015				
Available-for-sale financial assets				
Unquoted investments				
- Fujian Zheng Zhong Biotechnology Co., Limited <sup>(i)</sup>	-	-	-	-
- Xiamen Ying Jun Agricultural Development Co., Limited <sup>(ii)</sup>	-	-	22,275	22,275
	-	-	22,275	22,275
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2014				
Available-for-sale financial assets				
Unquoted investments				
- Fujian Zheng Zhong Biotechnology Co., Limited <sup>(i)</sup>	-	-	3,600	3,600
- Xiamen Ying Jun Agricultural Development Co., Limited <sup>(ii)</sup>	-	-	500	500
	-	-	4,100	4,100

Available for sale financial assets comprises of equity interest in the following unquoted private entities:

**(i) Fujian Zheng Zhong Biotechnology Co., Limited**

The Company holds equity in Fujian Zheng Zhong Biotechnology Co., Limited (“Zheng Zhong”). The principal activities of the Company were the research and development of biotechnology surrounding various plant species. The amount is recognised at cost as the equity holdings are not listed and there is no observable market data. The investment was subsequently sold to an unrelated party on 16 September 2015 at the carrying value at that time.

**(ii) Xiamen Ying Jun Agricultural Development Co., Limited**

The Company invested in Xiamen Ying Jun Agricultural Development Co., Limited aiming to plant raw materials for herb based nutritional products of the Company. The amount is recognised at cost as the equity holdings are not listed and there is no observable market data. The investment was subsequently sold to an unrelated party on 22 June 2016 at the carrying value at that time.

As noted in Note 11, it is not practicable to determine with sufficient reliability the fair value of equity interests; hence according to IFRS 139 such instruments are recorded at cost and included in Level 3.

## 27 Company Details

The registered office of the Company is:

Xiamen Eagledon Pharmaceutical Co., Ltd  
220 Meihe Third Rd, Tong'an  
Xiamen, Fujian Province  
China

## Director's declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 27, are in accordance with International Financial Reporting Standards and present fairly the financial position as at 31 December 2015 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



---

Director  
ZHANG Ming Wang

Dated this 18<sup>th</sup> day of November 2016

Level 1,  
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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XIAMEN EAGLEDON PHARMACEUTICAL CO., LIMITED**

We have audited the accompanying financial report of Xiamen Eagledon Pharmaceutical Co., Limited (the "Company"), which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors.

### **Responsibility of the Directors for the financial report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard IAS 1 Presentation of Financial Statements, the financial statements and notes, comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report 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 Company's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

**Auditor's Opinion**

In our opinion,

- a the financial report of Xiamen Eagledon Pharmaceutical Co., Limited
  - i presents fairly, in all material respects, the Company's financial position as at 31 December 2015 and of its performance and cash flows for the year then ended; and
  - ii complies with International Financial Reporting Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner - Audit & Assurance

Adelaide, 18 November 2016