FORM 10-Q

Yew Bio-Pharm Group, Inc. - YEWB

Filed: May 20, 2014 (period: March 31, 2014)

Quarterly report with a continuing view of a company's financial position

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 000-54701

YEW BIO-PHARM GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada	26-1579105
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

294 Powerbilt Avenue
Las Vegas, Nevada 89148

(Address of principal executive offices) (Zip Code)

(702) 487-4683

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 20, 2014, there were 50,000,000 shares, $0.001 par value per share, of the registrant's common stock outstanding.

YEW BIO-PHARM GROUP, INC.

FORM 10-Q

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
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Forward-Looking Statements

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are "forward-looking statements", including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words "may," "could," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

- risks related to our ability to collect amounts owed to us by some of our largest customers;
- our ability to continue to purchase yew cuttings from our various suppliers at relatively stable prices;
- our dependence on a small number of customers for our yew raw materials, including a related party ;
- our dependence on a small number of customers for our yew trees for reforestation;
- our ability to market successfully yew raw materials used in the manufacture of traditional Chinese medicine ("TCM");
- industry-wide market factors and regulatory and other developments affecting our operations;
- our ability to sustain revenues should the Chinese economy slow from its current rate of growth;
- continued preferential tax treatment for the sale of yew trees and potted yew trees;
- uncertainties about involvement of the Chinese government in business in the People's Republic of China (the "PRC" or "China") generally; and
- any change in the rate of exchange of the Chinese Renminbi ("RMB") to the U.S. dollar, which could affect currency translations of our results of operations, which are earned in RMB but reported in dollars;
- industry-wide market factors and regulatory and other developments affecting our operations;
- any impairment of any of our assets;
- a slowdown in the Chinese economy; and
- risks related to changes in accounting interpretations.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled "Risk Factors", beginning on page 15 of our Annual Report on Form 10-K for the year ended December 31, 2013.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

YEW BIO-PHARM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$ 99,504	$ 1,159,611
Accounts receivable	1,837,401	418,875
Accounts receivable - related party	339,044	377,821
Inventories	1,575,509	1,089,087
Due from related parties	85,159	34,031
Prepaid expenses and other assets	16,600	2,697
Total Current Assets	3,953,217	3,082,122
LONG-TERM ASSETS:		
Inventories, net of current portion	10,009,310	10,245,146
Property and equipment, net	976,176	1,033,078
Land use rights and yew forest assets, net	20,048,846	20,953,562
Total Long-term Assets	31,034,332	32,231,786
Total Assets	$ 34,987,549	$ 35,313,908
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ -	$ -
Accrued expenses and other payables	151,138	136,713
Taxes payable	1,898	10,232
Due to related parties	3,400,914	4,850,637
Total Current Liabilities	3,553,950	4,997,582
Total Liabilities	3,553,950	4,997,582
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common Stock ($0.001 par value; 50,000,000 shares authorized; 50,000,000 and 50,000,000 issued and outstanding at March 31, 2014 and December 31, 2013, respectively)	50,000	50,000
Additional paid-in capital	8,058,165	8,058,165
Retained earnings	17,898,053	16,664,138
Statutory reserves	2,738,444	2,597,118
Accumulated other comprehensive income - foreign currency translation adjustment	2,688,937	2,946,905
Total Shareholders' Equity	31,433,599	30,316,326
Total Liabilities and Shareholders' Equity	$ 34,987,549	$ 35,313,908

See notes to these unaudited consolidated financial statements

YEW BIO-PHARM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	For Three Months Ended March 31, 2014	For Three Months Ended March 31, 2013
REVENUES:		
Revenues	$ 1,613,718	$ 1,440,991
Revenues - related party	454,259	357,949
Total Revenues	2,067,977	1,798,940
COST OF REVENUES:		
Cost of revenues	414,616	495,659
Cost of revenues - related party	113,118	83,010
Total Cost of Revenues	527,734	578,669
GROSS PROFIT	1,540,243	1,220,271
OPERATING EXPENSES:		
Selling	1,760	5,614
Other general and administrative	165,636	271,961
Total Operating Expenses	167,396	277,575
Other Operating Income	2,142	-
INCOME FROM OPERATIONS	1,374,989	942,696
OTHER INCOME (EXPENSES):		
Interest income	236	42
Other income (expense)	16	(417)
Total Other Income (Expenses)	252	(375)
NET INCOME	$ 1,375,241	$ 942,321
COMPREHENSIVE INCOME:		
NET INCOME	$ 1,375,241	$ 942,321
OTHER COMPREHENSIVE INCOME:		
Unrealized foreign currency translation gain (loss)	(257,968)	154,652
COMPREHENSIVE INCOME	$ 1,117,273	$ 1,096,973
NET INCOME PER COMMON SHARE:		
Basic	$ 0.03	$ 0.02
Diluted	$ 0.02	$ 0.02
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	50,000,000	50,000,000
Diluted	68,118,682	50,000,000

See notes to these unaudited consolidated financial statements

YEW BIO-PHARM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,375,241	$ 942,321
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	46,408	56,274
Amortization of land use rights and yew forest assets	128,546	89,244
Loss (gain) on disposal of property and equipment	(2,142)	417
Changes in operating assets and liabilities:		
Accounts receivable	(1,432,302)	(760,760)
Accounts receivable - related party	35,949	(272,041)
Prepaid and other current assets	(14,005)	(302,193)
Due from related party	7,045	6,859
Inventories	264,439	260,540
Accounts payable	-	1,041
Accrued expenses and other payables	15,148	133,403
Due to related parties	-	1,217
Taxes payable	(8,320)	(2,220)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**416,007**	**154,102**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property and equipment	5,000	-
Loan made to related parties	(58,825)	
NET CASH USED IN INVESTING ACTIVITIES	**(53,825)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments for related parties advances	(1,420,521)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(1,420,521)**	**-**
EFFECT OF EXCHANGE RATE ON CASH	(1,771)	3,454
NET INCREASE (DECREASE) IN CASH	**(1,060,110)**	**157,556**
CASH - Beginning of period	**1,159,611**	**386,821**
CASH - End of period	**$ 99,504**	**$ 544,377**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash investing and financing activities		
Reclassification of yew forest assets to Inventories	$ 610,193	$ -

See notes to these unaudited consolidated financial statements

NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by rules and regulations of the Securities and Exchange Commission ("SEC"). The condensed consolidated balance sheet as of December 31, 2013 was derived from the audited consolidated financial statements of Yew Bio-Pharm Group, Inc. (individually "YBP" and collectively with its subsidiaries and operating variable interest entity, the "Company"). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the summary of significant accounting policies and notes to consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2013.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the financial position as of March 31, 2014, and the results of operations and cash flows for the three-month period ended March 31, 2014 and 2013, have been made.

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company continually evaluates its estimates, including those related to bad debts, inventories, recovery of long-lived assets, income taxes, and the valuation of equity transactions. The Company bases its estimates on historical experience and on various other assumptions that it believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Details of the Company's subsidiaries and variable interest entities ("VIE") are as follows:

Name	Domicile and date of incorporation	Registered capital	Effective ownership	Principal activities
Heilongjiang Jinshangjing Bio-Technology Development Co., Limited ("JSJ")	PRC October 29, 2009	USD $ 100,000	100%	Holding company
Yew Bio-Pharm Holdings Limited ("Yew Bio-Pharm (HK)")	Hong Kong November 29, 2010	HK$ 10,000	100%	Holding company of JSJ
Harbin Yew Science and Technology Development Co., Ltd. ("HDS")	PRC August 22, 1996	RMB 45,000,000	Contractual arrangements	Sales of yew tree components for use in pharmaceutical industry; sales of yew tree seedlings and potted yew trees; and the manufacture of yew tree wood handicrafts

NOTE 2 – PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of YBP, its subsidiaries and operating VIE, in which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated on consolidation.

Pursuant to a restructuring plan intended to ensure compliance with applicable PRC laws and regulations (the “Second Restructure”), on November 5, 2010, JSJ entered into a series of contractual arrangements (the “Contractual Arrangements”) with HDS and/or Zhiguo Wang, his wife Guifang Qi and Xingming Han (collectively with Mr. Wang and Madame Qi, the “HDS Shareholders”), as described below:

- Exclusive Business Cooperation Agreement. Pursuant to the Exclusive Business Cooperation Agreement between JSJ and HDS (the “Business Cooperation Agreement”), JSJ has the exclusive right to provide to HDS general business operation services, including advice and strategic planning, as well as consulting services related to technology, research and development, human resources, marketing and other services deemed necessary (collectively, the “Services”). Under the Business Cooperation Agreement, JSJ has exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of the Business Cooperation Agreement, including but not limited to copyrights, patents, patent applications, software and trade secrets. HDS shall pay to JSJ a monthly consulting service fee (the “Service Fee”) in RMB that is equal to 100% of the monthly net income of HDS. Upon the prior written consent by JSJ, the rate of Service Fee may be adjusted pursuant to the operational needs of HDS. Within 30 days after the end of each month, HDS shall (a) deliver to JSJ the management accounts and operating statistics of HDS for such month, including the net income of HDS during such month (the “Monthly Net Income”), and (b) pay 80% of such Monthly Net Income to JSJ (each such payment, a “Monthly Payment”). Within ninety (90) days after the end of each fiscal year, HDS shall (a) deliver to JSJ financial statements of HDS for such fiscal year, which shall be audited and certified by an independent certified public accountant approved by JSJ, and (b) pay an amount to JSJ equal to the shortfall, if any, of the aggregate net income of HDS for such fiscal year, as shown in such audited financial statements, as compared to the aggregate amount of the Monthly Payments paid by HDS to JSJ in such fiscal year. HDS also granted an irrevocable and exclusive option to JSJ to purchase any and all of the assets of HDS, to the extent permitted under PRC law, at the lowest price permitted by PRC law. Unless earlier terminated in accordance with the provisions of the Business Cooperation Agreement or other agreements separately executed between JSJ and HDS, the Business Cooperation Agreement is for a term of ten years and expires on November 5, 2020; however, the term of the Business Cooperation Agreement may be extended if confirmed in writing by JSJ prior to the expiration of the term thereof. The period of the extended term shall be determined exclusively by JSJ and HDS shall accept such extended term unconditionally. Unless JSJ commits gross negligence, or a fraudulent act, against HDS, HDS shall not terminate the Business Cooperation Agreement prior to the expiration of the term, including any extended term. Notwithstanding the foregoing, JSJ shall have the right to terminate the Business Cooperation Agreement at any time upon giving 30 days’ prior written notice to HDS.

- Exclusive Option Agreement. Under an Exclusive Option Agreement among JSJ, HDS and each HDS Shareholder (individually, an “Option Agreement”), the terms of which are substantively identical to each other, each HDS Shareholder has granted JSJ or its designee the irrevocable and exclusive right to purchase, to the extent permitted under PRC law, all or any part of the HDS Shareholder’s equity interests in HDS (the “Equity Interest Purchase Option”) for RMB 10. If an appraisal is required by PRC laws at the time when and if JSJ exercises the Equity Interest Purchase Option, the parties shall negotiate in good faith and, based upon the appraisal, make a necessary adjustment to the purchase price so that it complies with any and all then applicable PRC laws. Without the consent of JSJ, the HDS Shareholders shall not sell, transfer, mortgage or dispose of their respective shares of HDS stock. Additionally, without the prior consent of JSJ, the HDS Shareholders shall not in any manner supplement, change or amend the articles of association and bylaws of HDS, increase or decrease its registered capital, change the structure of its registered capital in any other manner, or engage in any transactions that could materially affect HDS’ assets, liabilities, rights or operations, including, without limitation, the incurrence or assumption of any indebtedness except incurred in the ordinary course of business, execute any major contract over RMB 500,000, sell or purchase any assets or rights, incur of any encumbrance on any of its assets or intellectual property rights in favor of a third party or transfer of any agreements relating to its business operation to any third party. The term of each Option Agreement is ten years commencing on November 5, 2020 and may be extended at the sole election of JSJ.

- Equity Interest Pledge Agreement. In order to guarantee HDS’s performance of its obligations under the Business Cooperation Agreement, each HDS Shareholder, JSJ and HDS entered into an Equity Interest Pledge Agreement (individually, a “Pledge Agreement”), the terms of which are substantially similar to each other. Pursuant to the Pledge Agreement, each HDS Shareholder pledged all of his or her equity interest in HDS to JSJ. If HDS or the HDS Shareholders breach their respective contractual obligations and such breach is not remedied to the satisfaction of JSJ within 20 days after the giving of notice of breach, JSJ, as pledgee, will be entitled to exercise certain rights, including the right to foreclose upon and sell the pledged equity interests. During the term of the Pledge Agreement, the HDS Shareholder shall not transfer his or her equity interest in HDS or place or otherwise permit any other security interest of other encumbrance to be placed on such equity interest. Upon the full payment of the Service Fee under the Business Cooperation Agreement and upon the termination of HDS’s obligations thereunder, the Pledge Agreement shall be terminated.

- Power of Attorney. Under the Power of Attorney executed by each HDS Shareholder (each, a “Power of Attorney”), the terms of which are substantially similar to each other, JSJ has been granted an exclusive, irrevocable power of attorney to take actions in the place and stead of the HDS Shareholders, to act on behalf of the HDS Shareholder as his or her exclusive agent and attorney with respect to all matters concerning the HDS Shareholder’s equity interests in HDS, including without limitation, the right to: 1) attend shareholders’ meetings of HDS; 2) exercise all the HDS Shareholders’ rights, including voting rights under PRC laws and HDS’s Articles of Association, including but not limited to the sale or transfer or pledge or disposition of the HDS Shareholder’s equity interests in HDS in whole or in part; and 3) designate and appoint on behalf of the HDS Shareholders the legal representative, executive director, supervisor, manager and other senior management of HDS.

To the extent that the Contractual Arrangements are enforceable under PRC law, as from time to time interpreted by relevant state agencies, they constitute the valid and binding obligations of each of the parties to each such agreement.

The Company believes that HDS is considered a VIE under ASC 810 "Consolidation", because the equity investors in HDS no longer have the characteristics of a controlling financial interest, and the Company, through JSJ, is the primary beneficiary of HDS and controls HDS's operations. Accordingly, HDS has been consolidated as a deemed subsidiary into YBP as a reporting company under ASC 810.

As required by ASC 810-10, the Company performs a qualitative assessment to determine whether the Company is the primary beneficiary of HDS which is identified as a VIE of the Company. A quality assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and the parties involved in the design of the entity. The Company's assessment on the involvement with HDS reveals that the Company has the absolute power to direct the most significant activities that impact the economic performance of HDS. JSJ is obligated to absorb a majority of the risk of loss from HDS activities and entitles JSJ to receive a majority of HDS's expected residual returns. In addition, HDS's shareholders have pledged their equity interest in HDS to JSJ, irrevocably granted JSJ an exclusive option to purchase, to the extent permitted under PRC Law, all or part of the equity interests in HDS and agreed to entrust all the rights to exercise their voting power to the person(s) appointed by JSJ. Under the accounting guidance, the Company is deemed to be the primary beneficiary of HDS and the results of HDS are consolidated in the Company's consolidated financial statements for financial reporting purposes. Accordingly, as a VIE, HDS's sales are included in the Company's total sales, its income from operations is consolidated with the Company's and the Company's net income includes all of HDS's net income. The Company does not have any non-controlling interest and, accordingly, did not subtract any net income in calculating the net income attributable to the Company. Because of the Contractual Arrangements, YBP has a pecuniary interest in HDS that requires consolidation of HDS's financial statements with those of the Company.

Additionally, pursuant to ASC 805, as YBP and HDS are under the common control of the HDS Shareholders, the Second Restructure was accounted for in a manner similar to a pooling of interests. As a result, the Company's historical amounts in the accompanying consolidated financial statements give retrospective effect to the Second Restructure, whereby the assets and liabilities of the Company are reflected at the historical carrying values and their operations are presented as if they were consolidated for all periods presented, with the results of the Company being consolidated from the date of the Second Transfer Agreement. The accounts of HDS are consolidated in the accompanying financial statements.

As of March 31, 2014, the Company agreed to waive all management fees to be payable by HDS and the Company expects to waive such management fees in the near future due to a need of working capital in HDS to expand HDS's operations.

The Company is principally engaged in (1) processing and selling yew raw materials used in the manufacture of traditional Chinese medicine ("TCM"); (2) growing and selling yew tree seedlings and mature trees, including potted miniature yew trees; and (3) manufacturing and selling furniture and handicrafts made of yew tree timber. The Company is located in Harbin, Heilongjiang Province, China.

YBP has no direct or indirect legal or equity ownership interest in HDS. However, through the Contractual Arrangements, the stockholders of HDS have assigned all their rights as stockholders, including voting rights and disposition rights of their equity interests in HDS to JSJ, our indirect, wholly-owned subsidiary. YBP is deemed to be the primary beneficiary of HDS and the financial statements of HDS are consolidated in the Company's consolidated financial statements. At March 31, 2014 and December 31, 2013, the carrying amount and classification of the assets and liabilities in the Company's balance sheets that relate to the Company's variable interest in the VIE was as follows:

Assets	**March 31, 2014**	**December 31, 2013**
Cash	$ 84,695	$ 1,146,546
Accounts receivable	1,837,401	418,875
Accounts receivable – related party	339,044	377,821
Due from related party	58,400	-
Inventories (current and long-term)	11,584,819	11,334,233
Prepaid expenses and other assets	13,646	2,388
Prepaid expenses - related parties	26,353	33,213
Property and equipment, net	918,823	966,148
Land use rights and yew forest assets, net	20,048,846	20,953,562
Total assets of VIE	$ 34,912,027	$ 35,232,786
Liabilities		
Accrued expenses and other payables	$ 85,334	16,294
Taxes payable	716	9,924
Due to VIE holding companies	1,659,586	1,703,324
Due to related parties	3,380,613	4,804,661
Total liabilities of VIE	$ 5,126,249	$ 6,534,203

The assets and liabilities in the table above are held in HDS, the VIE. The creditors of HDS have legal recourse only to the assets of HDS and do not have such recourse to the Company. In addition, HDS' assets are generally restricted only to pay such liabilities. Thus, the Company's maximum legal exposure to loss related to the VIE is significantly less than the carrying value of the HDS assets due to outstanding intercompany liabilities. Restricted net assets of the VIE shall mean that amount of our proportionate share of net assets of HDS (after intercompany eliminations) which as of the end of the most recent fiscal year and most recent reporting balance sheet date may not be transferred to the parent company by the VIE in the form of loans, advances or cash dividends without the consent of a third party (e.g. lender, regulatory agency, foreign government).

NOTE 3 – INVENTORIES

Inventories consisted of raw materials, work-in-progress, finished goods-handicrafts, yew seedlings and other trees (consisting of larix, spruce and poplar trees). The Company classifies its inventories based on its historical and anticipated levels of sales; any inventory in excess of its normal operating cycle of one year is classified as long-term on its consolidated balance sheets. As of March 31, 2014 and December 31, 2013, inventories consisted of the following:

	March 31, 2014			December 31, 2013		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Raw materials	$ 127,619	$ 2,729,412	$ 2,857,031	$ 416,519	$ 2,608,829	$ 3,025,348
Work-in-process	17,561	-	17,561	17,446	-	17,446
Finished goods - handicrafts	100,417	699,562	799,979	197,842	653,785	851,627
Yew seedlings	1,329,912	6,580,336	7,910,248	457,280	6,982,532	7,439,812
	$ 1,575,509	$ 10,009,310	$ 11,584,819	$ 1,089,087	$ 10,245,146	$ 11,334,233

NOTE 4 – TAXES

(a) Federal Income Tax and Enterprise Income Taxes

The Company is registered in the State of Nevada and is subject to the United States federal income tax at a tax rate of 34%. No provision for income taxes in the U.S. has been made as the Company had no U.S. taxable income as of March 31, 2014 and December 31, 2013.

The Company's subsidiary and VIE, JSJ and HDS, respectively, being incorporated in the PRC, are subject to PRC's Enterprise Income Tax. Pursuant to the PRC Income Tax Laws, Enterprise Income Taxes ("EIT") is generally imposed at 25%.

The table below summarizes the difference between the U.S. statutory federal tax rate and the Company's effective tax rate for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
U.S. federal income tax rate	34%	34%
Foreign income not recognized in the U.S.	(34%)	(34%)
PRC EIT rate	25%	25%
PRC tax exemption and reduction	(25%)	(25%)
Total provision for income taxes	-	-

Income before income tax expenses of $1,375,241 and $942,321 for the three months ended March 31, 2014 and 2013, respectively, was attributed to subsidiaries with operations in China. HDS and JSJ recorded no income tax expense for the three months ended March 31, 2014 and 2013 due to the fact that HDS has been granted a tax exemption and has loss carry-forwards from previous years to offset income tax liability generated for handicraft sales and JSJ has been incurring net losses.

The combined effects of the income tax expense exemptions and tax reductions available to the Company for the three months ended March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31,	
	2014	2013
Tax exemption effect	$ 350,294	$ 268,944
Tax reduction due to loss carry-forward	3,021	3,456
Loss not subject to income tax	(832)	(1,330)
Basic net income per share effect	$ (0.01)	$ (0.01)
Diluted net income per share effect	$ (0.01)	$ (0.01)

The deferred income tax assets or liabilities calculated pursuant to the EIT is not material due to the fact that the Company has been granted EIT exemption with respect to its yew raw materials and yew tree segments and is only subject to tax under the EIT for its handicrafts segment, which only represents a small portion of net revenues.

The Company has incurred net operating loss for income tax purposes for the three months ended March 31, 2014 and 2013. The net operating loss carry-forwards for U.S. income tax purposes amounted to $3,293,117 and $3,258,426 at March 31, 2014 and December 31, 2013, respectively, which may be available to reduce future years' taxable income. These carry forwards will expire, if not utilized, through 2033. Management believes that the realization of the benefits arising from this loss appear to be uncertain due to the Company's limited operating history and continuing losses for United States income tax purposes. Accordingly, the Company has provided a 100% valuation allowance on the deferred tax asset to reduce the asset to zero at March 31, 2014 and December 31, 2013. The valuation allowance at March 31, 2014 and December 31, 2013 was $1,119,660 and $1,107,865, respectively. The net change in the valuation allowance was an increase of $11,795 and $48,266 during the three months ended March 31, 2014 and 2013, respectively and management will review this valuation allowance periodically and make adjustments as necessary.

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for income tax and financial reporting purposes. Temporary differences, which give rise to a net deferred tax asset for the Company as of March 31, 2014 and December 31, 2013, are as follows:

	March 31, 2014	December 31, 2013
U.S. tax benefit of net operating loss carry forward	$ 1,119,660	$ 1,107,865
Valuation allowance	(1,119,660)	(1,107,865)
Net deferred tax assets	$ -	$ -

For U.S. income tax purposes, the Company has cumulative undistributed earnings of foreign subsidiary and VIE of approximately $21.4 million and $20.1 million as of March 31, 2014 and December 31, 2013, respectively, which are included in consolidated retained earnings and will continue to be indefinitely reinvested in overseas operations. Accordingly, no provision has been made for U.S. deferred taxes related to future repatriation of these earnings, nor is it practicable to estimate the amount of income taxes that would have to be provided if we concluded that such earnings will be remitted to the U.S. in the future.

(b) Value Added Taxes ("VAT")

The applicable VAT tax rate is 13% for agricultural products and 17% for handicrafts sold in the PRC. In accordance with VAT regulations in the PRC, the Company is exempt from paying VAT on its yew raw materials and yew trees sales as an agricultural corps cultivating company up to December 31, 2016. VAT payable in the PRC is charged on an aggregated basis at the applicable rate on the full price collected for the goods sold or taxable services provided and less any deductible VAT already paid by the taxpayer on purchases of goods in the same fiscal year.

NOTE 5 – STOCKHOLDERS' EQUITY

On December 13, 2012, the Company's shareholders approved the issuance of stock purchase options ("Founders' Options") to the Company's directors/officers (collectively, the "Founders") and the Company issued the Founders' Options to the Founders following such approval. The terms of each Founder's Option are identical to each other except for the name of the optionee and the number of shares of the Company's common stock subject to each Founder's Option. The principal terms of the Founders' Options include the following:

- Each Founder's Option is fully vested upon issuance;
- Each Founder's Option is exercisable for a period of five years from the date of issuance;
- Each Founder's Option is exercisable at $0.22 per share; and
- Each Founder's Option has a cashless exercise feature, pursuant to which, at the optionee's election, he or she may choose to deliver previously-owned shares of YBP common stock in payment of the exercise price or not pay the exercise price of the Founder's Option and receive instead a reduced number of shares of YBP common stock reflecting the value of the number of shares of YBP common stock equal to the difference, if any, between the aggregate fair market value of the shares issuable upon exercise of the Founder's Option and the exercise price of the Founder's Option.

The number of shares of the Company's common stock subject to each Founder's Option is as follows:

Name of Optionee	Number of Shares Subject to Founder's Option
Zhiguo Wang	20,103,475
Guifang Qi	2,488,737
Xingming Han	213,300
Total	22,805,512

There were no stock warrants issued, terminated/forfeited and exercised during the three months ended March 31, 2014.

The following table summarizes the shares of the Company's common stock issuable upon exercise of options outstanding at March 31, 2014:

Stock Options Outstanding				Stock Options Exercisable	
Range of Exercise Price	Number Outstanding at March 31, 2014	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at March 31, 2014	Weighted Average Exercise Price
$ 0.22	22,805,512	3.70	$ 0.22	22,805,512	$ 0.22

The aggregate intrinsic value amounted to $9,806,370 which based upon the Company's closing stock price of $0.65 as of March 31, 2014, which would have been received by the option holders had all option holders exercised their option awards as of that date.

NOTE 6 – EARNINGS PER SHARE

ASC 260 "*Earnings per Share*," requires dual presentation of basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted income per share is computed by dividing net income by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares consist of common shares issuable upon the confirmation of subscriptions for shares and common stock options (using the treasury stock method).

The following table presents a reconciliation of basic and diluted net income per share for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Net income available to common stockholders for basic and diluted net income per share of common stock	$ 1,375,241	$ 942,321
Weighted average common stock outstanding – basic	50,000,000	50,000,000
Effect of dilutive securities:		
Subscribed common shares issuable	-	-
Stock options issued to directors/officers	18,118,682	-
Weighted average common stock outstanding – diluted	68,118,682	50,000,000
Net income per common share – basic	$ 0.03	$ 0.02
Net income per common share – diluted	$ 0.02	$ 0.02

The Company's aggregate common stock equivalents at March 31, 2014 and December 31, 2013 included the following:

	March 31, 2014	December 31, 2013
Stock options	$ 22,805,512	$ 22,805,512
Total	$ 22,805,512	$ 22,805,512

NOTE 7 – CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS

Customers

For the three months ended March 31, 2014 and 2013, customers accounting for 10% or more of the Company's revenue were as follows:

Customer	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
A	*	44%
B (Yew Pharmaceutical, a related party)	22%	20%
C	*	18%
D	*	11%
E	33%	*

* Less than 10%

Two customers accounted for 44% of the Company's total outstanding accounts receivable at March 31, 2014.
The four largest customers accounted for 100% of the Company's total outstanding accounts receivable at March 31, 2013.

Suppliers

For the three months ended March 31, 2014 and 2013, the Company did not make any material purchases.

NOTE 8 – RELATED PARTY TRANSACTIONS

In addition to several of the Company's officers and directors, the Company conducted transactions with the following related parties:

Company	Ownership
Heilongjiang Zishan Technology Stock Co., Ltd. ("ZTC")	18% owned by Heilongjiang Hongdoushan Ecology Forest Stock Co., Ltd., 39% owned by Zhiguo Wang, Chairman and Chief Executive Officer, 31% owned by Guifang Qi, the wife of Mr. Wang and Director of the Company, and 12% owned by third parties.
Heilongjiang Yew Pharmaceuticals, Co., Ltd. ("Yew Pharmaceutical")	95% owned by Heilongjiang Hongdoushan Ecology Forest Stock Co., Ltd., and 5% owned by Madame Qi.
Shanghai Kairun Bio-Pharmaceutical Co., Ltd. ("Kairun")	60% owned by Heilongjiang Zishan Technology Co., Ltd., 20% owned by Heilongjiang Hongdoushan Ecology Forest Stock Co., Ltd., and 20% owned by Mr. Wang.
Heilongjiang Hongdoushan Ecology Forest Stock Co., Ltd. ("HEFS")	63% owned by Mr. Wang, 34% owned by Madame Qi, and 3% owned by third parties.

Cooperation and Development Agreement and Revenues from Related Party

On January 9, 2010, the Company entered into a Cooperation and Development Agreement (the "Development Agreement") with Yew Pharmaceutical. Pursuant to the Development Agreement, for a period of ten years expiring on January 9, 2020, the Company shall supply cultivated yew raw materials to Yew Pharmaceutical that will be used by Yew Pharmaceutical to make traditional Chinese medicines and other pharmaceutical products, at price of RMB 1,000,000 (approximately $158,000) per metric ton.

For the three months ended March 31, 2014 and 2013, sales to Yew Pharmaceutical under the Development Agreement amounted to $454,259 and $357,949, respectively.

At March 31, 2014 and December 31, 2013, the Company had $339,044 and $377,821 accounts receivable from Yew Pharmaceutical, respectively.

Operating leases

On March 25, 2005, the Company entered into an Agreement for the Lease of Seedling Land with ZTC (the "ZTC Lease"). Pursuant to the ZTC Lease, the Company leased 361 mu of land from ZTC for a period of 30 years, expiring on March 24, 2035. Annual payments under the ZTC Lease are RMB 162,450 (approximately $26,000). The payment for the first five years of the ZTC Lease was due prior to December 31, 2010 and beginning in 2011, the Company is required to make full payment for the land use rights in advance for each subsequent five-year period. For the three months ended March 31, 2014 and 2013, rent expense related to the ZTC Lease amounted to $6,636 and $6,461, respectively. At March 31, 2014 and December 31, 2013, prepaid rent to ZTC amounted to $26,353 and $33,212 which was included in prepaid expenses – related parties on the accompanying consolidated balance sheets.

On December 3, 2008, the Company entered into a lease for retail space in Harbin with Madame Qi (the "Store Lease"). Pursuant to the Store Lease, no payment was due for the first year and an annual payment of RMB 12,000 (approximately $2,000) is due for each of the second and third years thereof. The term of the Store Lease is three years and expired on December 3, 2011. On November 15, 2011, the Company renewed the Store Lease. Pursuant to the renewed Store Lease, the annual rent is RMB 15,600 (approximately $2,500) and the annual payment is due by May 30 of each year. The term of the renewed Store Lease is 3 years and expires on December 1, 2014. For the three months ended March 31, 2014 and 2013, rent expense related to the Store Lease amounted to $637 and $620, respectively. Since December 2012, the premises subject to the Store Lease have been used as warehouse space rather than retail space.

On January 1, 2010, the Company entered into a lease for office space with Mr. Wang (the "Office Lease"). Pursuant to the Office Lease, annual payments of RMB 15,000 (approximately $2,000) are due for each of the term. The term of the Office Lease is 15 years and expires on December 31, 2025. For the three months ended March 31, 2014 and 2013, rent expense related to the Office Lease amounted $613 and $597, respectively.

On July 1, 2012, the Company entered into a lease for office space with Mr. Wang (the "JSJ Lease"). Pursuant to the JSJ Lease, JSJ leases approximately 30 square meter of office space from Mr. Wang in Harbin. Rent under the JSJ Lease is RMB 10,000 (approximately $1,600) annually. The term of the JSJ Lease is three years and expires on June 30, 2015. For the three months ended March 31, 2014 and 2013, rent expense related to the JSJ Lease amounted to $409 and $398. At March 31, 2014 and December 31, 2013, prepaid rent to Mr. Wang amounted to $405 and $819, respectively, which was included in prepaid expenses - related parties on the accompanying consolidated balance sheets.

The principal executive offices of YBP are located at 294 Powerbilt Avenue, Las Vegas, Nevada, a property owned by the Company's President, Zhiguo Wang, which he provides rent-free to the Company. However, the Company pays utilities, property insurance, real estate tax, association dues and certain other expenses on the property to third parties, which, in the three months ended March 31, 2014 and 2013, aggregated approximately $5,085 and $3,508, respectively. The space provided by Mr. Wang to use as principal executive offices is less than 500 square feet and a significant portion of the property is used by Mr. Wang for his personal use. The Company estimates that the market value of a gross and full service lease for an equivalent executive office rent in the same geographic area is approximately $800 to $1,000 per month. The landlord of a gross and full service lease typically would be responsible for paying utilities, property tax and insurance and other expenses associated with maintaining the property. However, the Company pays these expenses, as well as association dues, on behalf of Mr. Wang to third parties in lieu of making rent payments. The Company believes that the difference between the annual market rent for the space used by the Company and the amount of $5,085 and $3,508 for the three months ended March 31, 2014 and 2013, respectively, that the Company paid to third parties for expenses related to the property in the three months ended March 31, 2014 and 2013 is not material.

At March 31, 2014 and December 31, 2013, the total prepaid rent for the above operating leases with related parties amounted to $26,759 and $34,031, respectively, which amount was included in prepaid expenses-related parties on the accompanying consolidated balance sheets.

Loan made to related party

On January 15, 2014, the Company entered into a loan agreement with Yew Pharmaceutical pursuant to which, the Company agreed to lend Yew Pharmaceutical in the amount of RMB 360,000 ($58,400). The proceeds of the loan would be utilized to purchase an inspection machinery and equipment. The acquired fixed asset would improve quality assurance of yew products and ensure the consistency of sales. Under the agreement, Yew Pharmaceutical, upon its final inspection of machinery and equipment, has four months to pay off the entire loan to the Company. The duration of the loan agreement starts from January 15, 2014 through May 15, 2014. As of March 31, 2014, the outstanding balance is $58,400.

Due to related parties

The Company's officers and directors and related parties, from time to time, provided advances to the Company for working capital purpose. These advances are short-term in nature and non-interest bearing and unsecured and payable on demand. The due to related parties amount at March 31, 2014 and December 31, 2013 was as follows:

Name of related parties	**March 31, 2014**	**December 31, 2013**
Zhiguo Wang	$ 22,645	$ 47,726
ZTC	3,378,269	4,802,911
Total	$ 3,400,914	$ 4,850,637

Amount due to ZTC was incurred in connection with acquisition of yew tree forests and land use right of underlying land.

Research and Development Agreement

The Company entered into a Technology Development Service Agreement dated January 1, 2010 (the "Technology Agreement") with Kairun. The term of the Technology Agreement was two years. Under the Technology Agreement, Kairun provides the Company with testing and technologies regarding utilization of yew trees to extract taxol and develop higher concentration of taxol in the yew trees the Company grow and cultivate. For these services, the Company agreed to pay Kairun RMB 200,000 (approximately $32,000) after the technologies developed by Kairun are tested and approved by the Company. The Company will retain all intellectual property rights in connection with the technologies developed by Kairun. Kairun may not provide similar services to any other party without the Company's prior written consent. In February 2012, we entered into a supplemental agreement with Kairun, extending the term of the Technology Agreement indefinitely until project results specified in the original Technology Agreement have been achieved. Kairun is owned directly and indirectly primarily by Mr. Wang and Madame Qi. As of March 31, 2014, Kairun has not yet completed the services provided for in the Technology Agreement and, therefore, no payment was made to Kairun.

NOTE 9 – STATUTORY RESERVES

The Company is required to make appropriations to reserve funds, comprising the statutory surplus reserve and discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC ("PRC GAAP"). Appropriation to the statutory surplus reserve is required to be at least 10% of the after tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entities' registered capital. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors.

The statutory surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital. For the three months ended March 31, 2014 and 2013, the Company appropriated to the statutory surplus reserve in the amount of $141,326 and $108,960, respectively. The accumulated balance of the statutory reserve of the Company as of March 31, 2014 and December 31, 2013 was $2,738,444 and $2,597,118, respectively.

NOTE 10 – SEGMENT INFORMATION

ASC 280 requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

During the three months ended March 31, 2014 and 2013, the Company operated in three reportable business segments: (1) the TCM raw materials segment, consisting of the production and sale of yew raw materials used in the manufacture of TCM; (2) the yew tree segment, consisting of the growth and sale of yew tree seedlings and mature trees, including potted miniature yew trees; and (3) the handicrafts segment, consisting of the manufacture and sale of handicrafts and furniture made of yew timber. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations. All of the Company's operations are conducted in the PRC.

Information with respect to these reportable business segments for the three months ended March 31, 2014 and 2013 was as follows:

	Three Months Ended March 31,	
	2014	2013
Revenues:		
TCM raw materials	$ 1,043,980	$ 896,161
Yew trees	964,306	856,954
Handicrafts	59,691	45,825
	2,067,977	1,798,940
Cost of revenues:		
TCM raw materials	232,340	199,960
Yew trees	249,331	360,687
Handicrafts	46,063	18,022
	527,734	578,669
Depreciation and amortization:		
TCM raw materials	125,736	89,244
Yew trees	13,700	8,561
Handicrafts	7,819	7,752
Other	27,699	39,961
	174,954	145,518
Net income (loss):		
TCM raw materials	796,227	696,201
Yew trees	694,336	496,267
Handicrafts	14,682	27,803
Other	(130,004)	(277,950)
	$ 1,375,241	$ 942,321

	March 31, 2014				
	TCM raw materials	Yew trees	Handicrafts	Other	Total
Identifiable long-lived assets, net	$ 20,048,846	$ 616,598	$ 85,595	$ 273,983	$ 21,025,022

	December 31, 2013				
	TCM raw materials	Yew trees	Handicrafts	Other	Total
Identifiable long-lived assets, net	$ 20,953,562	$ 632,583	$ 94,124	$ 306,371	$ 21,986,640

The Company does not allocate any selling, general and administrative expenses, other income/expenses to its reportable segments because these activities are managed at a corporate level. In addition, the specified amounts for interest expense and income tax expense are not included in the measure of segment profit or loss reviewed by the chief operating decision maker and these specified amounts are not regularly provided to the chief operating decision maker. Therefore, the Company has not disclosed interest expense and income tax expense for each reportable segment.

Asset information by reportable segment is not reported to or reviewed by the chief operating decision maker and, therefore, the Company has not disclosed asset information for each reportable segment. The Company's operations are located in the PRC. All revenues are derived from customers in the PRC. All of the Company's operating assets are located in the PRC.

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the FASB issued ASU 2014-08, "*Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ". The amendments in the ASU change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. The Company does not expect the adoption to have a significant impact on its consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our consolidated results of operations and cash flows for the three months ended March 31, 2014 and 2013, and consolidated financial conditions as of March 31, 2014 and December 31, 2013 should be read in conjunction with our unaudited consolidated financial statements and the related notes included elsewhere in this document.

Overview

We are a major grower and seller of yew trees and manufacturers of products made from yew trees, including potted yew trees for display in homes and offices, and handicrafts. We also sell branches and leaves of yew trees for the manufacture of TCM containing taxol, which TCM has been approved in the PRC for use as a secondary treatment of certain cancers, meaning it must be administered in combination with other pharmaceutical drugs. The yew industry is highly regulated in the PRC because the Northeast yew tree is considered an endangered species.

For the three months ended March 31, 2014 and 2013, we operated in three reportable business segments: (1) the TCM raw materials segment, consisting of the production and sale of yew raw materials used in the manufacture of TCM; (2) the yew tree segment, consisting of the growth and sale of yew tree seedlings and mature trees, including potted miniature yew trees; and (3) the handicrafts segment, consisting of the manufacture and sale of furniture and handicrafts made of yew timber. Our reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations. All of our operations are conducted in the PRC. We are located in Harbin, Heilongjiang Province, China.

For the three months ended March 31, 2014, revenues from the sale of TCM raw materials represented approximately 50.5% of consolidated revenue (including 22.0% of consolidated revenues from a related party); sale of yew trees represented approximately 46.6% of consolidated revenue; and the sale of handicrafts represented approximately 2.9% of consolidated revenue. For the three months ended March 31, 2013, revenues from the sale of TCM raw materials represented approximately 49.8% of consolidated revenue (including 19.9% of consolidated revenues from a related party); sale of yew trees represented approximately 47.6% of consolidated revenue; and the sale of handicrafts represented approximately 2.6% of consolidated revenue.

All of our revenues were generated by HDS and in the PRC. Other than expenses (approximately $36,776 and $142,000 for the three months ended March 31, 2014 and 2013, respectively) incurred primarily related to meeting its reporting requirements in the U.S., YBP has no other significant business operations. At March 31, 2014, YBP has approximately $11,571 in cash and holds the 100% equity interests in its subsidiaries Yew HK and JSJ. Yew HK itself has no business operations or assets other than holding of equity interests in JSJ. JSJ has no business operations and assets with a book value of approximately $5,498, including approximately $3,238 in cash at March 31, 2014. JSJ also holds the VIE interests in HDS through the contractual arrangements (the "Contractual Arrangements") described in Notes to Consolidated Financial Statements. In the event that we are unable to enforce the Contractual Agreements, we may not be able to exert effective control over HDS, and our ability to conduct our business may be materially and adversely affected. If the applicable PRC authorities invalidate our Contractual Agreements for any violation of PRC laws, rules and regulations, we would lose control of the VIE resulting in its deconsolidation in financial reporting and severe loss in our market valuation.

Critical accounting policies and estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to bad debts, allowance for obsolete inventory, the classification of short and long-term inventory, the useful life of property and equipment and intangible assets, recovery of long-lived assets, income taxes, and the valuation of equity transactions. We base our estimates on historical experience and on various other assumptions that we believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the financial statements.

Variable interest entities

Pursuant to ASC 810 and related subtopics related to the consolidation of variable interest entities, we are required to include in our consolidated financial statements the financial statements of VIEs. The accounting standards require a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIE or is entitled to receive a majority of the VIE's residual returns. VIEs are those entities in which we, through contractual arrangements, bear the risk of, and enjoy the rewards normally associated with ownership of the entity, and therefore we are the primary beneficiary of the entity. HDS is considered a VIE, and we are the primary beneficiary. We entered into agreements with the HDS pursuant to which we shall receive 100% of HDS's net income. In accordance with these agreements, HDS shall pay consulting fees equal to 100% of its net income to our wholly-owned subsidiary, JSJ and JSJ shall supply the technology and administrative services needed to service the HDS.

The accounts of HDS are consolidated in the accompanying financial statements. As VIEs, HDS' sales are included in our total sales, its income from operations is consolidated with ours, and our net income includes all of HDS' net income, and their assets and liabilities are included in our consolidated balance sheets. The VIEs do not have any non-controlling interest and, accordingly, we did not subtract any net income in calculating the net income attributable to us. Because of the contractual arrangements, we have pecuniary interest in HDS that require consolidation of HDS' financial statements with our financial statements.

As required by ASC 810-10, we perform a qualitative assessment to determine whether we are the primary beneficiary of HDS which is identified as a VIE of us. A quality assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and the parties involved in the design of the entity. The significant terms of the agreements between us and HDS are discussed above in the "Corporate Structure and Recapitalization - Second Restructure" section. Our assessment on the involvement with HDS reveals that we have the absolute power to direct the most significant activities that impact the economic performance of HDS. JSJ, our wholly own subsidiary, is obligated to absorb a majority of the risk of loss from HDS activities and entitles JSJ to receive a majority of HDS's expected residual returns. In addition, HDS's shareholders have pledged their equity interest in HDS to JSJ, irrevocably granted JSJ an exclusive option to purchase, to the extent permitted under PRC Law, all or part of the equity interests in HDS and agreed to entrust all the rights to exercise their voting power to the person(s) appointed by JSJ. Under the accounting guidance, we are deemed to be the primary beneficiary of HDS and the results of HDS are consolidated in our consolidated financial statements for financial reporting purposes.

Accordingly, as a VIE, HDS's sales are included in our total sales, its income from operations is consolidated with our income from operations and our net income includes all of HDS's net income. All the equity (net assets) and profits (losses) of HDS are attributed to us. Therefore, no non-controlling interest in HDS is presented in our consolidated financial statements. As we do not have any non-controlling interest and, accordingly, did not subtract any net income in calculating the net income attributable to us. Because of the Contractual Arrangements, YBP has a pecuniary interest in HDS that requires consolidation of HDS's financial statements with those of ours.

Additionally, pursuant to ASC 805, as YBP and HDS are under the common control of the HDS Shareholders, the Second Restructure was accounted for in a manner similar to a pooling of interests. As a result, our historical amounts in the accompanying consolidated financial statements give retrospective effect to the Second Restructure, whereby our assets and liabilities are reflected at the historical carrying values and their operations are presented as if they were consolidated for all periods presented, with our results of operations being consolidated from the date of the Second Transfer Agreement. The accounts of HDS are consolidated in the accompanying financial statements.

Accounts receivable

Accounts receivable are presented net of an allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses. We review the accounts receivable balance on a periodic basis and make general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, we consider many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. We recognize the probability of the collection for each customer and believe the amount of the balance as of March 31, 2014 could be collected and accordingly, based on a review of our outstanding balances, we did not record any allowance for doubtful accounts.

Inventories

Inventories consisted of raw materials, work-in-progress, finished goods-handicrafts, yew seedlings and other trees (consisting of larix, spruce and poplar trees). We classify our inventories based on our historical and anticipated levels of sales; any inventory in excess of its normal operating cycle of one year is classified as long-term on its consolidated balance sheets. Inventories are stated at the lower of cost or market value utilizing the weighted average method. Raw materials primarily include yew timber used in the production of products such as handicrafts, furniture and other products containing yew timber. Finished goods-handicraft and yew seedlings include direct materials, direct labor and an appropriate proportion of overhead.

We estimate the amount of the excess inventories by comparing inventory on hand with the estimated sales that can be sold within our normal operating cycle of one year. Any inventory in excess of our current requirements based on historical and anticipated levels of sales is classified as long-term on our consolidated balance sheets. Our classification of long-term inventory requires us to estimate the portion of inventory that can be realized over the next 12 months.

To estimate the amount of slow-moving or obsolete inventories, we analyze movement of our products, monitor competing products and technologies and evaluate acceptance of our products. Periodically, we will identify inventories that cannot be sold at all or can only be sold at deeply discounted prices. An allowance will be established if management determines that certain inventories may not be saleable. If inventory costs exceed expected market value due to obsolescence or quantities in excess of expected demand, we will record reserves for the difference between the carrying cost and the estimated market value.

Our handicraft and yew furniture products are hand-made by traditional Chinese artisans and many are one-of-a-kind pieces that do not decrease in market value. Much of the furniture that we produce is reproductions of popular Ming and Qing Dynasty style antique furnishings with high collection value; therefore we believe that the market value will increase from time to time. Currently, we have an adequate supply rare Northeast yew timber on hand for approximately five years' worth of production. Northeast yew trees are considered an endangered species with a relatively slow growing nature and are officially protected in the PRC. Because of the scarcity of Northeast yew timber supply, the cost to acquire new inventory of yew timber is rising. We had minimal manufacturing activities and minimal sales of exclusive and expensive handicraft and yew furniture in 2010 and 2011 and accordingly, the yew timber and certain handicrafts and yew furniture pieces are considered slow-moving. In 2010 and 2011, we concentrated on the sale of our TCM products and did not actively market our handicraft products. In August 2012, we began to increase our marketing efforts for our handicraft products. Historically, we have never sold our handicraft products below cost and we believe the current selling price which is higher than historical cost can be obtained. Additionally, we believe that we are one of only a few companies in the PRC to have received approval for the manufacture of items made from yew timber. In short, we may have difficulties finding reasonable cost Northeast yew timber suppliers if the handicraft finished goods sell out due to our market development activities.

In connection with the inventory valuation of our Northeast yew timber, in February 2012, we engaged several third party independent experts in the forestry industry and they prepared a report which indicated that the current fair value of such timber is greater than our historical cost. The report was approved by the Price Authentication Center of Heilongjiang Province of China, a provincial government institute.

Based on factors above, at March 31, 2014, we did not provide any inventory allowance and reserve.

In accordance with ASC 905, "Agriculture", our costs of growing yew seedlings are accumulated until the time of harvest and are reported at the lower of cost or market.

Property and equipment

Property and equipment are carried at cost and are depreciated on a straight-line basis (after taking into account their respective estimated residual value) over the estimated useful lives of the assets. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. We examine the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable. The estimated useful lives are as follows:

Building	15 years
Machinery and equipment	10 years
Office equipment	3 years
Leasehold improvement	5 years
Motor vehicles	4 years

Land use rights and yew forest assets

All land in the PRC is owned by the PRC government and cannot be sold to any individual or company. We have recorded the amounts paid to the PRC government to acquire long-term interests to utilize land and yew forests as land use rights and yew forest assets. This type of arrangement is common for the use of land in the PRC. Yew trees on land containing yew tree forests will be used to supply raw materials such as branches, leaves and fruit to us that will be used to manufacture our products. We amortize these land and yew forest use rights over the term of the respective land and yew forest use right, which ranges from 45 to 50 years. The lease agreements do not have any renewal option and we have no further obligations to the lessor. We record the amortization of these land and forest use rights as part of its cost of revenues.

Due from related parties

On January 15, 2014, the Company entered into a loan agreement with Yew Pharmaceutical pursuant to which, the Company agreed to lend Yew Pharmaceutical in amount of RMB 360,000 ($58,400). The proceeds of the loan would be utilized to purchase an inspection machinery and equipment. The acquired fixed asset would improve quality assurance of yew products and ensure the consistency of sales. Under the agreement, Yew Pharmaceutical, upon its final inspection of machinery and equipment, has four months to pay off the entire loan to the Company. The duration of the loan agreement starts from January 15, 2014 through May 15, 2014. As of March 31, 2014, the outstanding balance is $58,400.

Revenue recognition

We generate our revenue from sales of yew seedling products, sales of yew raw materials for medical application, and sales of yew craft products. Pursuant to the guidance of ASC 605 and ASC 360, we recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the purchase price is fixed or determinable and collectability is reasonably assured, and no significant obligations remain.

Income taxes

We are governed by the Income Tax Law of the PRC, Hong Kong and the United States. We account for income tax using the liability method prescribed by ASC 740, "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. We record a valuation allowance to offset deferred tax assets if based on the weight of available evidence; it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

We apply the provisions of ASC 740-10-50, "Accounting for Uncertainty in Income Taxes", which provides clarification related to the process associated with accounting for uncertain tax positions recognized in our financial statements. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to our liability for income taxes. Any such adjustment could be material to our results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. Currently, we have no uncertain tax positions, and will continue to evaluate for uncertain positions in the future.

Stock-based compensation

Stock based compensation is accounted for based on the requirements of the Share-Based Payment topic of ASC 718 which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award. The Accounting Standards Codification also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date." The expense is recognized over the period of services or the vesting period, whichever is applicable. Until the measurement date is reached, the total amount of compensation expense remains uncertain. We record compensation expense based on the fair value of the award at the reporting date. The awards to consultants and other third-parties are then revalued, or the total compensation is recalculated based on the then current fair value, at each subsequent reporting date.

Recent accounting pronouncements

In July 2012, the Financial Accounting Standards Board (FASB) amended ASC 350, *"Intangibles - Goodwill and Other"*. This amendment is intended to simplify how an entity tests indefinite-lived assets other than goodwill for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The amended provisions will be effective for us beginning in the first quarter of 2014, and early adoption is permitted. This amendment impacts impairment testing steps only, and therefore adoption will not have an impact on our consolidated financial position, results of operations or cash flows.

In August 2012, the FASB issued Accounting Standards Update ("ASU") 2012-03, "Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update)" in Accounting Standards Update No. 2012-03. This update amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The adoption of ASU 2012-03 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In October 2012, the FASB issued ASU 2012-04, "Technical Corrections and Improvements" in Accounting Standards Update No. 2012-04 ("ASU 2012-04"). The amendments in this update cover a wide range of topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income" ("ASU 2013-02"). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2013-02 is not expected to have a material impact on our consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05 *"Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity."* ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. For public entities, the ASU is effective prospectively for fiscal years, and interim periods, within those years, beginning after December 15, 2013. Early adoption is permitted. The adoption of ASU 2013-05 is not expected to have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, "*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*". These amendments provide that an unrecognized tax benefit, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 is not expected to have a material impact on the Company's consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, "*Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ". The amendments in the ASU change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. The Company does not expect the adoption to have a significant impact on its consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Currency exchange rates

Our functional currency is the U.S. dollar, and the functional currency of our operating subsidiaries and VIEs is the RMB. All of our sales are denominated in RMB. As a result, changes in the relative values of U.S. dollars and RMB affect our reported levels of revenues and profitability as the results of our operations are translated into U.S. dollars for reporting purposes. In particular, fluctuations in currency exchange rates could have a significant impact on our financial stability due to a mismatch among various foreign currency-denominated sales and costs. Fluctuations in exchange rates between the U.S. dollar and RMB affect our gross and net profit margins and could result in foreign exchange and operating losses.

Our exposure to foreign exchange risk primarily relates to currency gains or losses resulting from timing differences between signing of sales contracts and settling of these contracts. Furthermore, we translate monetary assets and liabilities denominated in other currencies into RMB, the functional currency of our operating subsidiaries. Our results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in our statement of shareholders' equity. We have not used any forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

Our financial statements are expressed in U.S. dollars, which is the functional currency of our parent company. The functional currency of our operating subsidiaries and affiliates is RMB. To the extent we hold assets denominated in U.S. dollars, any appreciation of the RMB against the U.S. dollar could result in a charge in our statement of operations and a reduction in the value of our U.S. dollar denominated assets. On the other hand, a decline in the value of RMB against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results.

Recently enacted JOBS Act

We qualify as an "emerging growth company" under the recently enacted JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, among other things, we will not be required to:

- Have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- Submit certain executive compensation matters to shareholder advisory votes, such as "say-on-pay" and "say-on-frequency";
- Obtain shareholder approval of any golden parachute payments not previously approved; and
- Disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive's compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed $1 billion; (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three-year period.

Until such time, however, because the JOBS Act has only recently been enacted, we cannot predict whether investors will find our stock less attractive because of the more limited disclosure requirements that we may be entitled to follow and other exemptions on which we are relying while we are an "emerging growth company". If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Results of Operations

The following tables set forth key components of our results of operations for the periods indicated, in dollars, and key components of our revenue for the periods indicated, in dollars. The discussion following the table is based on these results.

	Three Months Ended March 31,	
	2014	2013
Revenues - third parties	$ 1,613,718	$ 1,440,991
Revenues - related party	454,259	357,949
Total revenues	2,067,977	1,798,940
Cost of revenues - third parties	414,616	495,659
Cost of revenues - related party	113,118	83,010
Total cost of revenues	527,734	578,669
Gross profit	1,540,243	1,220,271
Operating expenses	167,396	277,575
Other operating income	2,142	-
Income from operations	1,374,989	942,696
Other income (expenses)	252	(375)
Net income	1,375,241	942,321
Other comprehensive income:		
Unrealized foreign currency translation gain (loss)	(257,968)	154,652
Comprehensive income	$ 1,117,273	$ 1,096,973

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenues

For the three months ended March 31, 2014, we had total revenues of $2,067,977, as compared to $1,798,940 for the three months ended March 31, 2013, an increase of $269,037 or 15.0%. The increase in total revenue was attributable to the increase in revenue from all three of our business segments Total revenue is summarized as follows:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Increase	Percentage Change
TCM raw materials	$ 1,043,980	$ 896,161	$ 147,819	16.5%
Yew trees	964,306	856,954	107,352	12.5%
Handicrafts	59,691	45,825	13,866	30.3%
Total	$ 2,067,977	$ 1,798,940	$ 269,037	15.0%

Of the total amount of revenue for the three months ended March 31, 2014 and 2013, $454,259 and $357,949, respectively, an increase of $96,310 or 26.9%, came from sales of related party, Yew Pharmaceutical.

Increase in revenue of TCM raw material is attributable to additional purchase from our related party, Yew Pharmaceutical, which it had depleted majority of its inventory close to the end of fiscal 2013. Increase in revenue of yew trees and handicraft are both considered as steady increase of our normal business sales. Although we expect to see a steady increase of our revenues in the future, the actual result will depend upon the actual market demand and available supply.

Cost of Revenues

For the three months ended March 31, 2014, cost of revenues amounted to $527,734 as compared to $578,669 for the three months ended March 31, 2013, a decrease of $50,935 or 8.8%. Our cost of revenues principally consists of the cost of raw materials such as wood plates and yews, amortization of land use rights and yew forest assets, labor, utilities, manufacturing costs, manufacturing related depreciation, machinery maintenance costs, purchasing and receiving costs, inspection costs, and other fixed costs. For the three months ended March 31, 2014, cost of revenues accounted for 25.5% of total revenues compared to 32.2% of total revenues for the three months ended March 31, 2013.

Cost of revenues by product categories was as follows:

	Three Months Ended March 31, 2014	**Three Months Ended March 31, 2013**	**Increase**	**Percentage Change**
TCM raw materials	$ 232,340	$ 199,960	$ 32,380	16.2%
Yew trees	249,331	360,687	(111,356)	(30.9) %
Handicrafts	46,063	18,022	28,041	155.6%
Total	$ 527,734	$ 578,669	$ (50,935)	(8.8) %

The decrease in our cost of revenues for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 was primarily a result of the decrease in costs of revenue in yew tree segment and offset by increase in costs of revenue of TCM raw materials and handicrafts segments.

The increase in cost of revenue in TCM raw material segment is attributable to increase in overall sales, method of extraction, increase in logistical distance, and fees associated with outsourced plant labor to third party contractor.

The decrease in cost of revenue in yew trees segment is attributable to changes of cost after performing quarterly physical inventory and related accounting adjustment. For the three months ended March 31, 2013, a transaction of yew tree cost was recorded and subsequently reversed on April 1 st, 2013. Therefore, we saw a decrease in yew tree cost compared to three months ended March 31, 2013.

The increase in cost of revenue of handicrafts is attributable to increase in related direct material and manufacturing overhead. Therefore, our unit cost of single and paired of chopstick crafts had increased for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013. The unit cost of paired chopstick crafts was approximately $18.00 and $7.00 for the three months ended March 31, 2014 and 2013, respectively. The unit cost of single chopstick crafts was approximately $10.00 and $4.00 for the three months ended March 31, 2014 and 2013, respectively.

Gross Profit

For the three months ended March 31, 2014, gross profit was $1,540,243 as compared to $1,220,271 for the three months ended March 31, 2013, representing gross margins of 74.5% and 67.8%, respectively. Gross profit margins by product categories were as follows:

	Three Months Ended March 31,		(Decrease)
	2014	2013	Increase
TCM raw materials	77.7%	77.7%	-%
Yew trees	74.1%	57.9%	28.0%
Handicrafts	22.8%	60.7%	(62.4)%
Total	74.5%	67.8%	9.8%

The increase in our overall gross profit margin for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 was primarily attributable to a decrease in gross profit margin in handicrafts segments, offset by an increase in gross profit margin in yew trees segment.

For the three months ended March 31, 2014, our gross margin percentage related to the sale of TCM raw materials remained consistent with March 31, 2013.

The increase in our gross margin percentage related to the sale of yew trees and seedlings for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 is primarily attributable to changes of cost after performing quarterly physical inventory and related accounting adjustment. For the three months ended March 31, 2013, a transaction of yew tree cost was recorded and subsequently reversed on April 1 st, 2013. Therefore, we saw a decrease in yew tree cost and increase in related gross margin compared to three months ended March 31, 2013.

The decrease in our gross margin percentage related to the sale of handicrafts for the three months ended March 31, 2014 was primarily attributable to increase in related direct material and manufacturing overhead. Therefore, our unit cost of single and paired chopstick crafts had increased for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013. The unit cost of paired chopstick crafts was approximately $18.00 and $7.00 for the three months ended March 31, 2014 and 2013, respectively. The unit cost of single chopstick crafts was approximately $10.00 and $4.00 for the three months ended March 31, 2014 and 2013, respectively.

Selling Expenses

Selling expenses consisted of the following:

	Three Months Ended March 31,	
	2014	2013
Salary and related benefit	$ -	$ 3,888
Shipping and handling	1,133	562
Other	627	1,164
Total	$ 1,760	$ 5,614

For the three months ended March 31, 2014, selling expenses were $1,760 as compared to $5,614 for the three months ended March 31, 2013, a decrease of $3,854, or 68.6%. The decrease in our selling expenses for the three months ended March 31, 2014 was primarily attributable to decreases in salary and related benefit expenses and other miscellaneous expenses , partially offset by increases in shipping and handling expenses.

General and Administrative Expenses

For the three months ended March 31, 2014, general and administrative expenses amounted to $165,636, as compared to $271,961 for the three months ended March 31, 2013, a decrease of $106,325, or 39.1%. General and administrative expenses consisted of the following:

	Three Months Ended March 31,	
	2014	2013
Compensation and related benefits	$ 33,784	$ 69,262
Depreciation	35,206	47,396
Travel and entertainment	4,150	19,912
Professional fees	62,344	83,255
Other	30,152	52,136
Total	$ 165,636	$ 271,961

The decrease in our general and administrative expenses for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, was primarily attributable to decrease in all categories of expenses.

The changes in these expenses for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, consisted of the following:

- For the three months ended March 31, 2014, compensation and related benefits decreased by $35,478, or 51.2%, as compared to the three months ended March 31, 2013. The decrease in compensation and related benefits is mainly attributable to fees paid to outsourced third party plant labor contractor which increased the related manufacture cost. In additions, during November 2013, we made arrangement with our employees to reduce 73% of salary in exchange for future stock compensation.

- For the three months ended March 31, 2014, depreciation decreased by $12,190, or 25.7%, as compared to the three months ended March 31, 2013. The decrease was primarily attributable to decrease in depreciable assets which one of automobiles were fully depreciated as of March 31, 2013. In addition, we had another depreciable automobile that had fully depreciated as of January 1, 2014.

- For the three months ended March 31, 2014, travel and entertainment decreased by $15,762, or 79.2% as compared to the three month ended March 31, 2013. The decrease was primarily attributable to decrease in travels relating to business coordination as we saw our business operation stabilized.

- Professional fees consisted primarily of legal, accounting, investor relations and other fees associated with being a public company in the United States. For the three months ended March 31, 2014, professional fees decreased by $20,911, or 25.1%, as compared to the three months ended March 31, 2013. This decrease was primarily attributable to decrease in fees paid to professional for filing requirements as we saw processes were standardized.

- For the three months ended March 31, 2014, other miscellaneous general and administrative expenses decreased by $21,984, or 42.2%, as compared to the three months ended March 31, 2013. The decrease was primarily attributable our daily operation stabilized.

Other Operating Income

For the three months ended March 31, 2014, other operating income increased by $2,142, or 100.0% as compared to the three months ended March 31, 2013. The increase was primarily attributable to gain on disposal of one of our depreciable assets.

Income from Operations

For the three months ended March 31, 2014, income from operations was $1,374,989 as compared to income from operations of $942,696 for the three months ended March 31, 2013, an increase of $432,293, or 45.9%. This increase was primarily attributable to an increase in overall gross profit and decrease in operating expenses

Other Income (Expenses)

For the three months ended March 31, 2014, total other income amounted to $252 as compared to total other expense of $375 for the three months ended March 31, 2013.

Net Income

As a result of the factors described above, our net income was $1,375,241 or $0.03 and $0.02 per share (basic and diluted, respectively), for the three months ended March 31, 2014, as compared to net income of $942,321 or $0.02 per share (basic and diluted), for the three months ended March 31, 2013.

Foreign Currency Translation Adjustment

For the three months ended March 31, 2014, we reported an unrealized loss on foreign currency translation of $257,968, as compared to a gain of $154,652 for the three months ended March 31, 2013. The change reflects the effect of the value of the U.S. dollar in relation to the RMB. These gains are non-cash items. As described elsewhere herein, the functional currency of our subsidiary, JSJ, and our VIE, HDS, is the RMB. The accompanying consolidated financial statements have been translated and presented in U.S. dollars using period end rates of exchange for assets and liabilities, and average rates of exchange for the period for net revenues, costs, and expenses. Net gains resulting from foreign exchange transactions, if any, are included in the consolidated statements of income.

Comprehensive Income

For the three months ended March 31, 2014, comprehensive income of $1,117,273 was derived from the sum of our net income of $1,375,241 plus a foreign currency translation loss of $257,968. For the three months ended March 31, 2013, comprehensive income of $1,096,973 was derived from the sum of our net income of $942,321 plus a foreign currency translation gain of $154,652.

Segment Operations

For the three months ended March 31, 2014 and 2013, we operated in three reportable business segments: (1) the TCM raw materials segment, consisting of the production and sale of yew raw materials used in the manufacture of TCM; (2) the yew tree segment, consisting of the growth and sale of yew tree seedlings and mature trees, including potted miniature yew trees; and (3) the handicrafts segment, consisting of the manufacture and sale of furniture and handicrafts made of yew timber. Our reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations. All of our operations are conducted in the PRC.

Information with respect to these reportable business segments for the three months ended March 31, 2014 was as follows:

	TCM raw materials	Yew trees	Handicrafts	Total
Revenues	$ 589,721	$ 964,306	$ 59,691	$ 1,613,718
Revenues - related party	454,259	-	-	454,259
Total revenues	1,043,980	964,306	59,691	2,067,977
Cost of revenues	119,222	249,331	46,063	414,616
Cost of revenues - related party	113,118	-	-	113,118
Total cost of revenues	$ 232,340	$ 249,331	$ 46,063	$ 527,734

Information with respect to these reportable business segments for the three months ended March 31, 2013 was as follows:

	TCM raw materials	Yew trees	Handicrafts	Total
Revenues	$ 538,212	$ 856,954	$ 45,825	$ 1,440,991
Revenues - related party	357,949	-	-	357,949
Total revenues	896,161	856,954	45,825	1,798,940
Cost of revenues	116,950	360,687	18,022	495,659
Cost of revenues - related party	83,010	-	-	83,010
Total cost of revenues	$ 199,960	$ 360,687	$ 18,022	$ 578,669

TCM raw materials

During the three months ended March 31, 2014, we sold 6,070 kg of TCM raw materials as compared to 5,327 kg of TCM raw materials during the three months ended March 31, 2013, a 14.0% increase in sales volume due primarily to increase in our overall sales to Yew Pharmaceutical, related party, and non-related party. Although we expect to see a steady increase of our revenues in the future, the actual result will depend upon the actual market demand and available supply.

In February 2010, we began selling yew branches and leaves that are used in the production of TCM. On January 9, 2010, we entered into the Development Agreement with Yew Pharmaceutical, a related party, for the development, production and sale of yew-based TCM. Pursuant to the Development Agreement, we sell yew branches and leaves to Yew Pharmaceutical. Yew Pharmaceutical manufactures TCM at its own facilities in Harbin in accordance with the requirements of the Heilongjiang Food and Drug Administration (the "HFDA"). Yew Pharmaceutical is also responsible for producing the finished product in accordance with GMP requirements. In this regard, Yew Pharmaceutical received a GMP certificate in November 2009, and has filed all applications with, and obtained all approvals from, the HFDA.

For the three months ended March 31, 2014 and 2013, we had revenue of $454,259 and $357,949, respectively, from the sale of TCM raw materials to Yew Pharmaceutical pursuant to the Development Agreement. For the three months ended March 31, 2014 and 2013, revenue from the sale of TCM raw materials to third parties amounted to $589,721 and $538,212, respectively.

Zi Shan is marketed and sold exclusively through Yew Pharmaceutical, under the Development Agreement. Yew Pharmaceutical is also our major purchaser of yew raw material used in the production of TCM. Yew Pharmaceutical is owned directly and indirectly primarily by Mr. Wang and Madame Qi.

TCM that is produced by manufacturers who buy yew raw material from us is marketed and sold by them to third party users, including hospitals.

Sales of TCM raw materials to a related party customer, Yew Pharmaceutical, increased during the three months ended March 31, 2014 since Yew Pharmaceutical needed to replenish its depleted inventory of TCM raw materials during the fourth quarter of 2013. Accordingly, our revenue generated from the related party increased for the three months ended March 31, 2014.

Sales volume is summarized as follows:

	Three Months Ended March 31,	
	2014	**2013**
Sales volume - third parties (kg)	3,290	3,077
Sales volume - related party (kg)	2,780	2,250
Total sales volume	6,070	5,327

Additionally, in order to ensure the sustainability of our yew forests, we closely monitor the growth rate of our yew trees. The amount of TCM raw materials we can sell is limited by the seasonal growth rate of our yew trees that are available for cutting branches and leaves. Over time, as more yew trees reach maturity, these limits may be increased.

The increase in our cost of revenues in the TCM raw materials segment for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 was primarily attributable to the increase in our revenues, method of extraction, increase in logistical distance, and fees associated with outsourced plant labor to third party contractor in the TCM raw materials segment. Our gross profit margin for the TCM raw materials segment for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 remained consistent.

Yew trees

During the three months ended March 31, 2014, we sold approximately 68,551 pieces of yew seedlings and trees as compared to approximately 180,000 pieces of yew seedlings and trees in the three months ended March 31, 2013, a decrease in volume of 61.9%. For the three months ended March 31, 2013, we sold more yew tree seedling planted in 2010 and dragon spruce seedling at lower cost in approximately 74,000 and 25,000 pieces, respectively.

The decrease in cost of revenue in yew trees segment is attributable to changes of cost after performing quarterly physical inventory and related accounting adjustment. For the three months ended March 31, 2013, a transaction of yew tree cost was recorded and subsequently reversed on April 1 st, 2013. Therefore, we saw a decrease in yew tree cost for the three months ended March 31, 2014 as compared to three months ended March 31, 2013.

In connection with our entering into a land use agreement in July 2012 (the "Fuye Field Agreement"), we acquired more than 80,000 trees – which are not yew trees – located on that property. These trees consist of approximately 20,000 larix, 56,700 spruce and 3,700 poplar trees. Larix trees are used primarily in landscaping and we currently anticipate that we expect to start selling larix trees to customers in the next few years. Spruce and poplar trees are used primarily as building materials. As of March 31, 2014, we already started to sell spruce trees to customers and anticipated to start selling poplar trees in the next few years when these trees reach their maturities."

Handicrafts

During the three months ended March 31, 2014 and 2013, revenue from the sale of handicrafts made from yew timber amounted to $59,691 and $45,825, respectively, an increase of $13,866, or 30.3%. During first quarter of 2014, we continued to actively market our handicraft products. Specific steps taken to market our handicraft products include:

- We began to engage first tier distributors to distribute our handicraft products in provincial capital cities in 10 provinces; each first tier distributor is required to reach minimal annual sales volume of 2,000,000 RMB. First tier distributors will be able to purchase handicrafts from us at a price below the price that basic distributors pay for the handicraft products. In addition to the discounted first tier distributor pricing provided, we will also provide approximately 3%-5% commission (payable in yew seedling products) to these first tier distributors.

- We engaged second tier distributors in smaller cities. Each second tier distributor is required to reach minimal annual sales volume of 1,000,000 RMB. These distributors will also be offered beneficial pricing off the price that basic distributors pay. We will also provide approximately 2%-3% commission (payable in yew seedling products) to the second tier distributors.

- We have instructed our sales representatives to make frequent visits to our distributors to promote our handicraft products.

Starting in January 2013, we also began selling some of our more moderately-priced handicrafts on a television shopping program that is broadcast in Heilongjiang Province, of which Harbin is the capital. The increase in our cost of revenues in the handicrafts segments for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 was due to increased costs incurred in connection with increased sales of handicrafts and overall increase of average unit cost of our single and paired chopstick crafts.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. At March 31, 2014 and December 31, 2013, we had cash balances of $99,504 and $1,159,611, respectively. These funds are primarily located in various financial institutions located in China. Our primary uses of cash have been for the purchase of yew trees, land use rights and yew forest assets. Additionally, we use cash for employee compensation and working capital.

The following table sets forth information as to the principal changes in the components of our working capital from December 31, 2013 to March 31, 2014:

			December 31, 2013 to March 31, 2014	
Category	**March 31, 2014**	**December 31, 2013**	**Change**	**Percentage change**
Current assets:				
Cash	$ 99,504	$ 1,159,611	$ (1,060,107)	(91.4)%
Accounts receivable	1,837,401	418,875	1,418,526	338.7%
Accounts receivable – related party	339,044	377,821	(38,777)	(10.3)%
Due from related party	85,159	34,031	51,128	150.2%
Inventories	1,575,509	1,089,087	486,422	44.7%
Prepaid expenses and other assets	16,600	2,697	13,903	515.5%
Current liabilities:				
Accounts payable	-	-	-	-%
Accrued expenses and other payables	151,138	136,713	14,425	10.6%
Taxes payable	1,898	10,232	(8,334)	(81.5)%
Due to related parties	3,400,914	4,850,637	(1,449,723)	(29.9)%
Working capital:				
Total current assets	$ 3,953,217	$ 3,082,122	$ 871,093	28.3%
Total current liabilities	3,553,950	4,997,582	(1,443,634)	(28.9)%
Working capital	$ 399,267	$ (1,915,460)	$ 2,314,727	120.8%

Our working capital increased $2,314,727 to $399,267 at March 31, 2014, from working capital of $(1,915,460) at December 31, 2013. This increase in working capital is primarily attributable to:

- an increase in accounts receivable of approximately $1,419,000;
- an increase in inventory of approximately $486,000;

partially offset by:

- a decrease in cash of approximately $1,060,000.
- a decrease in due to related parties of approximately $1,450,000;

For the three months ended March 31, 2014, net cash flow provided by operating activities was $416,007, as compared to net cash flow provided by operating activities of $154,102 for the three months ended March 31, 2013, an increase of $261,905. Because the exchange rate conversion is different for the balance sheet and the statements of cash flows, the changes in assets and liabilities reflected on the statements of cash flows are not necessarily identical with the comparable changes reflected on the balance sheets.

For the three months ended March 31, 2014, net cash flow provided by operating activities of $416,007 was primarily attributable to:

- net income of approximately $1,375,000 adjusted for the add-back of non-cash items, such as depreciation of approximately $46,000 and amortization of land use rights and yew forest assets of approximately $129,000; and
- the receipt of cash from operations from changes in operating assets and liabilities, such as a decrease in inventories of approximately $264,000, a decrease in accounts receivable – related party of approximately $36,000, and an increase in accrued expenses and other payables of approximately $15,000;

partially offset by:

- the use of cash from changes in operating assets and liabilities, such as an increase in accounts receivable of approximately $1,432,000, and an increase in prepaid expenses and other assets of approximately $14,000.

For the three months ended March 31, 2013, net cash flow provided by operating activities of $154,102 was primarily attributable to:

- net income of approximately $942,000 adjusted for the add-back of non-cash items, such as depreciation of approximately $56,000 and amortization of land use rights and yew forest assets of approximately $89,000; and
- the receipt of cash from operations from changes in operating assets and liabilities, such as a decrease in inventories of approximately $261,000 and an increase in accrued expenses and other payables of approximately $133,000;

partially offset by:

- the use of cash from changes in operating assets and liabilities, such as an increase in accounts receivable of approximately $761,000, an increase in accounts receivable – related party of approximately $272,000 and an increase in prepaid expenses and other assets of approximately $302,000.

During the three months ended March 31, 2014, the net cash flow used in investing activities was approximately $54,000. During March 31, 2014, we had lent money to our related party of approximately $59,000, partially offset by proceeds from disposal of property and equipment of approximately $5,000.

During the three months ended March 31, 2014, the net cash flow used in financing activities was approximately $1,421,000. During the three months ended March 31, 2014, we made repayments to related parties of approximately $1,421,000.

We have historically financed our operations and capital expenditures through cash flows from operations, bank loans and advances from related parties. From March 2008 to September 2009, we received approximately $2.9 million of proceeds in the aggregate from offerings and sales of our common stock. Except for the portion used to pay for professional and other expenses in the U.S., substantial portions of the proceeds we received through sales of our common stock were retained in the PRC and used to fund our working capital requirements. As the PRC government imposes controls on PRC companies' ability to convert RMB into foreign currencies and the remittance of currency out of China, from time to time, in order to fund our corporate activities in the U.S., Zhiguo Wang, our President and CEO, advanced funds to us in the U.S. and we repaid the amounts owed to him in RMB in the PRC.

It is management's intention to expand our operations as quickly as reasonably practicable to capitalize on the demand opportunity for our products. We regularly review our cash funding requirements and attempt to meet those requirements through a combination of cash on hand, cash provided by operations and any potential available bank borrowings. We believe that we can continue meeting our cash funding requirements for our business in this manner over at least the next twelve months. The majority of our funds are maintained in RMB in bank accounts in China. We receive all of our revenue in the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies by complying with certain procedural requirements. However, approval from China's State Administration of Foreign Exchange ("SAFE") or its local counterparts is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions. As of March 31, 2014 and December 31, 2013, approximately $31.4 million and $25.7 million, respectively, of our net assets are located in the PRC. If the foreign exchange control system in the PRC prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to transfer funds deposited within the PRC to fund working capital requirements in the U.S. or pay any dividends in currencies other than the RMB, to our shareholders.

Contractual Obligations and Off-Balance Sheet Arrangements

We have certain potential commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations and cash flows.

The following tables summarize our contractual obligations as of March 31, 2014, and the effect these obligations are expected to have on our liquidity and cash flows in future periods:

Contractual obligations:	Total	1 year	1-3 years	3-5 years	5+ years
Operating leases	$ 612,458	$ 138,508	$ 25,736	$ 902	$ 443,312
Total	$ 612,458	$ 138,508	$ 25,736	$ 902	$ 443,312

Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rates Risk

Substantially all of our operating revenues and expenses are denominated in RMB. We operate using RMB and the effects of foreign currency fluctuations are largely mitigated because local expenses in the PRC are also denominated in the same currency. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. Because we generally receive cash flows denominated in RMB, our exposure to foreign exchange risks should be limited.

Our assets and liabilities, of which the functional currency is the RMB, are translated into USD using the exchange rates in effect at the balance sheet date, resulting in translation adjustments that are reflected as cumulative translation adjustment in the shareholders' equity section on our consolidated balance sheets. A portion of our net assets are impacted by changes in foreign currencies translation rates in relation to the U.S. dollar. We recorded a foreign currency translation loss of $257,968 and gain of $154,652 for the three months ended March 31, 2014 and March 31, 2013, respectively, to reflect the impact of the fluctuation of the RMB against the U.S. dollar.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of the RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China.

To the extent that we decide to convert RMB denominated cash amounts into U.S. dollars for the purpose of making any dividend payments, which we have not declared but may declare in the future, or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. Conversely, if we need to convert U.S. dollars into RMB for operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount it received from the conversion. We have not used, and do not currently expect to use in the future, any forward contracts or currency borrowings to hedge exposure to foreign currency exchange risk.

Interest Rate Risk

We have not been, nor do we currently anticipate being, exposed to material risks due to changes in interest rates because we do not have any consolidated debt.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

The Company's management has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on us or our business.

ITEM 1A. RISK FACTORS

No material change.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On May 7, 2014, the Company received a letter from Marshall & Stevens, Incorporated (Marshall-Stevens), its appraiser, informing the Company that the disclosure of the Marshall-Stevens name in the Company's December 6, 2013 Form 8-K, its March 31, 2014 Form 10-K and its April 29, 2014 Form S-1, together with the inclusion of the Marshall-Stevens Valuation Report (the "Valuation Report") as an exhibit to the Company's December 6, 2013 Form 8-K was not in accordance with the Company's October 15, 2013 agreement with Marshall-Stevens (the "Agreement") relating to, among other things, non-disclosure and confidential treatment of the Valuation Report and the Appraiser. The Company maintains that any non conformity to the Agreement was inadvertent, harmless and not in breach of the Agreement.

In any event, the Company will not disclose the Marshall-Stevens name in any other filings or other documents without notifying Marshall-Stevens in advance.

Further, no person, other than the Company, is entitled to rely on the work done by Marshall-Stevens, including, without limitation, the Valuation Report.

ITEM 6. EXHIBITS

The following exhibits are attached hereto and filed herewith:

31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
31.2*	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
32*	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith.
** Furnished herewith. XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities

Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

YEW BIO-PHARM GROUP, INC.

By: /s/ ZHIGUO WANG
Zhiguo Wang
Chief Financial Officer

Date: May 20, 2014

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

I, Zhiguo Wang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yew Bio-Pharm Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2014

/s/ ZHIGUO WANG
Zhiguo Wang
Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

I, Zhiguo Wang certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yew Bio-Pharm Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2014

/s/ ZHIGUO WANG
Zhiguo Wang
Chief Financial Officer

EXHIBIT 32

Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Solely for the purposes of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer and Chief Financial Officer of Yew Bio-Pharm Group, Inc. (the "Company"), hereby certifies, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2014

/s/ ZHIGUO WANG
Zhiguo Wang
Chief Executive Officer

Date: May 20, 2014

/s/ ZHIGUO WANG
Zhiguo Wang
Chief Financial Officer