2016 ANNUAL REPORT

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天津泰達生物醫學工程股份有限公司
Tianjin TEDA Biomedical Engineering Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8189)

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The information set out in this report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited ("the Company") collectively and individually accept full responsibility, is given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement herein misleading.

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CORPORATE INTRODUCTION

Tianjin TEDA Biomedical Engineering Company Limited ("TEDA Biomedical" or the "Company" and together with its subsidiaries, collectively the "Group") was incorporated on 8 September 2000 and listed on GEM of the Hong Kong Stock Exchange on 18 June 2002 (Stock Code: HK08189), with a current registered capital of RMB159,500,000. The Group is currently engaged in two business sectors: (i) biological compound fertilizer products, which mainly include various series of biological compound fertilizer products under the "Fulilong" brand used for the promotion of balanced growth of grains, fruit and vegetables, and (ii) health care products, which mainly include various series of health care products under the "Alpha" brand, covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body. The biological compound fertilizer and medical health care sectors that the Group is engaged in are the sunrise industries encouraged by the government that have a good development prospect.

GROUP STRUCTURE

TIANJIN TEDA BIOMEDICAL ENGINEERING COMPANY LIMITED

- 100% — Guangdong Fulilong Compound Fertilisers Co., Ltd. ("Guangdong Fulilong")
  (principally engaged in the research, development, manufacture and sales of biological compound fertilisers)
  - 100% — Guangdong Fulilong Soil Conditioning and Remediation Institute ("Fulilong Institute")***
    (principally engaged in conducting regional soil resources conditioning and remediation research, and soil environmental quality standards research)
  - 51% — Shandong Hidersun Fertilizer Industry Co., Ltd." ("Shandong Hidersun")****
    (principally engaged in the research, development, manufacture and sales of biological compound fertilizers)
- 100% — Ningxia Hongdi Biotechnology Co., Ltd. ("Ningxia Hongdi")*
  (not yet commenced business)
  - 100% — HONGKONG TEDA Biomedical Investment Limited ("HK Investment")**
    (not yet commenced business)
- 27.76% — Tianjin Alpha Health Care Products Co., Ltd. ("Tianjin Alpha")*****
  (principally engaged in the research, development, manufacture and sales of health care products)

* Ningxia Hongdi is a wholly-owned subsidiary of the Company invested and established on 25 August 2016.

** HK Investment is a wholly-owned subsidiary of Ningxia Hongdi invested and incorporated in Hong Kong Special Administrative Region on 12 September 2016.

*** Fulilong Institute is an institute of Guangdong Fulilong invested and established upon the approval by Department of Civil Affairs of Guangdong Province on 4 May 2016.

**** Since 13 February 2017, Shandong Hidersun has become a subsidiary of Guangdong Fulilong, the latter is a wholly-owned subsidiary of TEDA Biomedical.

***** On 13 January 2017, the shareholding of TEDA Biomedical of Tianjin Alpha has been reduced from 33.66% to 27.76%.

CORPORATE INFORMATION

Executive Directors
Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu (re-designated on 1 January 2017)
Mr. Wang Shuxin (retired on 31 December 2016)

Non-executive Directors
Mr. Feng Enqing
Mr. Chen Yingzhong
Mr. Ou Linfeng (resigned on 9 August 2016)
Mr. Liu Renmu (appointed on 14 October 2016 and re-designated on 1 January 2017)
Dr. Li Ximing (appointed 1 January 2017)

Independent non-executive Directors
Mr. Li Xudong (appointed on 1 January 2017)
Mr. Duan Zhongpeng (appointed on 1 January 2017)
Ms. Gao Chun (appointed on 1 January 2017)
Mr. Guan Tong (retired on 31 December 2016)
Mr. Wu Chen (retired on 31 December 2016)
Mr. Peter K.S. Chan (retired on 31 December 2016)

Supervisors
Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors
Mr. Liang Weitao
Ms. Feng Ling (appointed on 1 January 2017)
Mr. Gao Xianbiao (retired on 31 December 2016)

Company Secretary/Qualified Accountant
Mr. Ng Ka Kuen Raymond, CPA, FCIS

Compliance Officer
Ms. Sun Li

Audit Committee
Mr. Li Xudong
Mr. Duan Zhongpeng
Ms. Gao Chun

Remuneration Committee
Mr. Duan Zhongpeng
Ms. Sun Li
Ms. Gao Chun

Nomination Committee
Ms. Sun Li
Mr. Duan Zhongpeng
Ms. Gao Chun

Authorized Representatives
Ms. Sun Li
Mr. Ng Ka Kuen Raymond

Registered Office
No. 12 Tai Hua Road, The 5th Avenue,
TEDA Tianjin, PRC

Auditor
BDO Limited

Head Office and Principal Place of Business
9th Floor, Block A2
Tianda Hi-Tech Park
No. 80, The 4th Avenue
TEDA Tianjin, PRC

Hong Kong Representative Office
4/F The Chinese Club Building
21–22 Connaught Road Central
Central, Hong Kong

Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Company Website
www.bioteda.com

Stock Code
8189

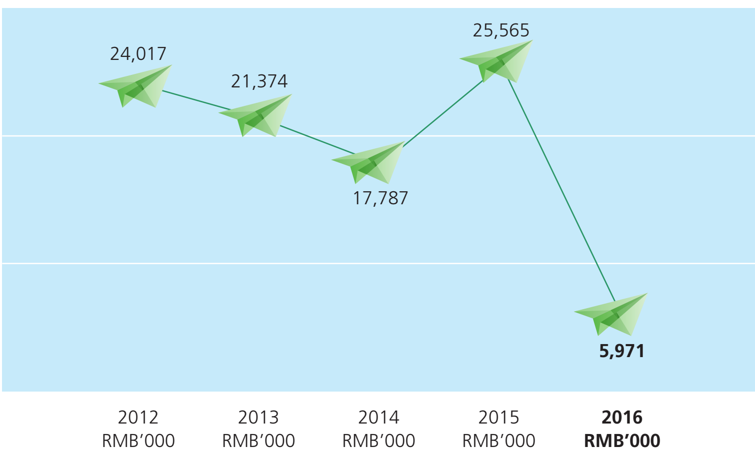
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015* RMB'000	**2016* RMB'000**
Results					
Turnover	677,640	583,112	470,267	501,590	**389,278**
Gross profit	136,336	130,585	78,712	96,721	**78,806**
Gross margin	20.12%	22.39%	16.74%	19.28%	**20.24%**
Profit or loss attributable to the shareholders	24,017	21,374	17,787	25,565	**5,971**
Earnings or losses per share	1.69 cents	1.51 cents	1.46 cents	1.76 cents	**0.37 cents**

* The amounts represent the group's continuing operations, please refer to the notes to the Consolidated Financial Statements for details.

	For the year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015* RMB'000	**2016* RMB'000**
Assets & Liabilities					
Total assets	421,976	412,864	432,622	458,505	**459,628**
Total liabilities	219,346	188,093	188,924	114,072	**110,244**
Equity attributable to the shareholders	180,056	201,429	198,021	319,937	**325,908**

Profit or loss attributable to the shareholders



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors of the Company, I would like to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

OPERATIONAL REVIEW

During the period under review, the compound fertilizer segment was our principal continuing operation. In prior years, on the back of the overall downward economic pressure, the industry competition of compound fertilizer was more intense. Affected by the continuous low pricing of main raw materials, the drop in agricultural products and food prices and the abnormal climate due to the super El Nino phenomenon in mid-2016, the entire industry was operated weakly. Facing the drop in overall market demand and relentless market competition, the Company's subsidiaries, Guangdong Fulilong and Shandong Hidersun actively responded to challenges, continued to optimize the product structure according to market changes, focused on the promotion of active fertilizers and bio-organic fertilizers which commanded a higher gross profit margin, and thereby able to maintain the stable development of the Group's compound fertilizer business. During the period under review, the Company's subsidiary, Guangdong Fulilong invested and set up "Guangdong Fulilong Soil Conditioning and Remediation Institute"（廣東福利龍土壤調理修復研究院）to quicken the pace of the research and development of new ecological and environment-protection fertilizers through continuous technological innovation and product innovation. In November 2016, Guangdong Fulilong was nominated as the "Top 100 Chinese Fertilizer Enterprises in 2016（2016年中國化肥100強）" and "Top 100 Chinese Phosphorus Fertilizer Enterprises in 2016（2016中國磷複肥企業100強）" in the conference of the Top 100 Chinese Fertilizer Enterprises in 2016 (9th session) and Chinese Fertilizer Brand Summit（中國化肥品牌峰會）organized by China Chemical Industry Information Association and the Fertilizer Professional Committee of Chemical Industry and Engineering Society of China. At the same time, Guangdong Fulilong was awarded the "Top 50 Fertilizer Brands Trusted by Farmers in 2016"（2016農民信賴的肥料品牌五十強）jointly elected by the Phosphorus Fertilizer Industry Association of China and CCTV-7 Agricultural Channel.

CHAIRMAN'S STATEMENT

RESULTS PERFORMANCE

During the year ended 31 December 2016, the Group achieved a turnover of RMB389,278,236 for the year, representing a year-on-year decrease of 22.39% as compared to that of last year. The consolidated gross profit margin of the Group was 20.24%, representing a slight increase as compared with that of last year, but resulted a decrease in consolidated gross profit of 18.52% to RMB78,805,675 as compared with that of last year. During the period under review, profit attributable to owners of the Company was RMB5,970,713 with earnings per share of RMB0.37 cents, representing a year-on-year decrease of 76.64% as compared with that of last year.

CORPORATE GOVERNANCE

During the period under review, in accordance with the latest requirements of the Corporate Governance Practices in the GEM Listing Rules, the Board of the Company is responsible for evaluating and determining the nature and extent of the risks to take in achieving the strategic objectives of the Company, and has established and maintained appropriate and effective risk management and internal control systems. The Board is responsible for supervising the management in the design, implementation and monitoring aspects of the risk management and internal control systems, while the management provides the Board the confirmation of the effectiveness of these systems. The Board will continue to monitor the Company's risk management and internal control systems, including but not limited to financial control, operation control, compliance control and other aspects.

ENVIRONMENT, SOCIETY AND GOVERNANCE

Pursuant to the Guidelines on Environmental, Social and Governance Report issued by Hong Kong Stock Exchange, starting this year, the Company will disclose the Environmental, Social and Governance Report on a regular basis, to enable the public to have an understanding of the latest performance of the Company in these aspects. The contents will include the Company's strategy and practice in four aspects, namely Environmental Protection, Employment and Labour Practices, Operational Practice and Community Participation. A good environmental, social and governance structure is of great importance for the development of the Company. In addition to its commitment to pursue results growth, the Company also seeks constant perfection in environmental protection, social responsibility and corporate governance. It is also hoped that the operation transparency of the Company will improve continuously through this report.

FUTURE OUTLOOK

Looking ahead, the Company will firmly grasp the opportunities from the transformation and upgrade of the biological compound fertilizer sector to adjust the product structure reasonably and gradually increase the proportion of active fertilizers and bio-organic fertilizers with higher gross profit margin, so as to enhance the competitiveness of its products and further improve its profitability. Through cooperation with relevant technology research and development teams in the United States, the Company successfully acquired the world's unique quantitative EEG detection and diagnosis technology. Such technology is used in the cutting-edge human brain medical sector for remote and precise medical treatment to provide quantitative automatic detection diagnosis of brain waves through artificial intelligence cloud with self-learning ability. The Company intends to take the strategic opportunity regarding the accelerating development of traditional medical and pharmaceutical system in the medical and healthcare industry and their modelling transformation during the 13th Five Year Plan period, introducing advanced and matured medical and healthcare projects into the East Asian markets and foster new sources of profit growth, aiming to achieve the Company's upgrading in both its strategy and innovation.

Finally, on behalf of the Board, I would like to extend my heartfelt gratitude to the management and all the staff of the Group for their loyal contributions they made in their positions. At the same time, I hereby would also like to thank the shareholders and all partners for their support, understanding and help rendered to the Company all the time. I hope that we will always have your company in the future development of the Company.

Sun Li
Chairman

15 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the compound fertilizer segment was our principal continuing operation. In prior years, on the back of the overall downward economic pressure, the industry competition of compound fertilizer was more intense. Affected by the continuous low pricing of main raw materials, the drop in agricultural products and food prices and the abnormal climate due to the super El Nino phenomenon in mid-2016, the entire industry was operated weakly. Facing the drop in overall market demand and relentless market competition, the Company's subsidiaries, Guangdong Fulilong and Shandong Hidersun actively responded to challenges by adopting a series of measures, continued to optimize the product structure according to market changes, adjusted marketing models, reinforced direct cooperation with farmers' cooperative communities and large-scale planting base operators, actively promoted active fertilizers and bio-organic fertilizers of the specialized fertilized products which commanded a higher gross profit margin, strengthened the pre-sale, in-sale and after-sales services, and thereby able to maintain the stable development of the Group's compound fertilizer business. During the period under review, the Company's subsidiary, Guangdong Fulilong invested and set up "Guangdong Fulilong Soil Conditioning and Remediation Institute"(廣東福利龍土壤調理修復研究院) to integrate the application and fundamental research, engineering development, talent cultivation and training promotion as a whole, conduct regional soil resources conditioning and remediation research, soil environmental quality standards research, academic exchange and discussion on agricultural technology and information and soil resources investigation and study, which provided a platform for basic research and technology support for improving regional soil pollution and enhanced soil productivity and agricultural products safety. Guangdong Fulilong quickened the pace of the research and development of new ecological and environment-protection fertilizers through continuous technological innovation and product innovation. In November 2016, Guangdong Fulilong was nominated as the "Top 100 Chinese Fertilizer Enterprises in 2016 (2016年中國化肥100強)" and "Top 100 Chinese Phosphorus Fertilizer Enterprises in 2016 (2016中國磷複肥企業100強)" in the conference of the Top 100 Chinese Fertilizer Enterprises in 2016(9th session)and Chinese Fertilizer Brand Summit(中國化肥品牌峰會)organized by China Chemical Industry Information Association and the Fertilizer Professional Committee of Chemical Industry and Engineering Society of China. In the campaign of "Top 50 Fertilizer Brands Trusted by Farmers in 2016 (2016農民信賴的肥料品牌五十強)" jointly organized by Phosphorus Fertilizer Industry Association of China and CCTV-7 Agricultural Channel, Guangdong Fulilong was awarded the "Top 50 Fertilizer Brands Trusted by Farmers in 2016" (2016農民信賴的肥料品牌五十強). Guangdong Fulilong will adhere to the concept of knowing and loving the farmers as in the past to bring benefits to all farmers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover, gross profit and gross margin

For the year ended 31 December 2016, the Group achieved total annual turnover of RMB389,278,236, representing a decrease of 22.39% as compared to last year (31 December 2015: RMB501,589,528); the consolidated gross profit was RMB78,805,675 (31 December 2015: RMB96,720,781); the consolidated gross profit margin was 20.24% (31 December 2015: 19.28%). During the review period, the Group focused on promoting biological compound fertilizers and bio-organic fertilizers with a higher gross profit margin and this resulted in an increase in the Group's consolidated gross margin as compared to last year.

Other income and net losses

For the year ended 31 December 2016, other income and gains, net of the Group was RMB871,180 (31 December 2015: other income and losses, net of RMB350,981). The details are set out in Note 8 to the consolidated financial statements.

Selling and distribution costs

For the year ended 31 December 2016, selling and distribution costs of the Group was RMB20,495,906, representing a decrease of 12.84% as compared to last year (31 December 2015: RMB23,514,871). During the review period, in view of the adverse market conditions and intense market competition, the Group moderately controlled the marketing and selling expenses.

Administrative expenses

For the year ended 31 December 2016, administrative expenses of the Group were RMB30,739,780 (31 December 2015: RMB21,507,630), representing an increase of 42.92% as compared to last year, which was mainly due to the Group's obvious increase in service charges of intermediary institutions due to the acquisition of SJK Greter China Ltd. as compared to last year and an appropriate increase in the provision for trade receivables as compared to last year based on the prudent accounting principles.

Research and development expenses

For the year ended 31 December 2016, research and development expenses of the Group were RMB11,499,384, representing a decrease of 25.41% as compared to last year (31 December 2015: RMB15,416,009), which was mainly due to the Group's moderate control in research and development investments under the adverse market conditions.

Finance costs

For the year ended 31 December 2016, finance costs of the Group were RMB3,580,769, representing a decrease of 23.12% as compared to last year (31 December 2015: RMB4,657,425). The details are set out in Note 9 to the accounts.

Profit for the year

For the year ended 31 December 2016, the profit attributable to the owner of the Company was RMB5,970,713, representing a decrease of 76.64% as compared to last year (31 December 2015: RMB25,564,512); earnings per share of the Company were RMB0.37 cents compared to RMB1.76 cents of the same period of last year.

STRUCTURE OF SHARE CAPITAL

As at 31 December 2016, the structure of share capital of the Company is set out in Note 27 to the consolidated financial statements.

MEMORANDUM OF UNDERSTANDING IN RELATION TO POSSIBLE STRATEGIC COOPERATION

On 15 April 2016, the Company and Donghai International Financial Holdings Company Limited（東海國際金融控股有限公司）("DIFH") entered into the memorandum of understanding with the heading of the "Cooperation Memorandum on the Establishment of Merger and Acquisition Fund of TEDA Donghai Biomedicine" (《關於成立泰達東海生物醫藥併購基金的合作備忘錄》) (the "Memorandum"), whereby the Company and DIFH intended to jointly establish TEDA Donghai Biomedicine Merger and Acquisition Fund Management Company Limited（泰達東海生物醫藥併購基金管理有限公司）("TEDA Donghai") in the Cayman Islands. TEDA Donghai is owned as to 51% by the Company and 49% by DIFH. The Company and DIFH will recruit limited partners according to various projects. The total amount of fund to be raised is provisionally set at one billion Hong Kong dollars. The fund will invest in the investment targets related to the principal business activities which are in line with the transformation of the Company on a global basis. For details please refer to the announcement of the Company published on GEM website dated 15 April 2016.

ACQUISITION OF 51% STAKE OF SJK GREATER CHINA LTD

On 16 April 2016, the Company, Shu Ju Ku Inc. (the "Vendor") and SJK Greater China Ltd. ("SJKGC") entered into an agreement, pursuant to which the Company agreed to purchase, and the Vendor agreed to sell 51% of the entire issued shares of SJKGC to the Company at a consideration of US$27,000,000 (equivalent to approximately HK$209,440,000), which is to be satisfied upon completion by an aggregate amount of US$6,500,000 (equivalent to approximately HK$50,420,000) in cash; and the remaining US$20,500,000 (equivalent to approximately HK$159,020,000) by the allotment and issuance of 100,000,000 new H Shares to the Vendor as consideration shares at the issue price of HK$1.60 per consideration share by the Company. The consideration shares will be issued by the Company under the special mandate. As the applicable percentage ratios (as defined in the GEM Listing Rules) for such acquisition are greater than 25% but less than 100%, the acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to the GEM Listing Rules. Upon the completion of the acquisition, the Company shall be interested in 51% of the entire issued share capital of SJKGC, and SJKGC will become a non-wholly owned subsidiary of the Company.

The aforementioned acquisition which included but not limited to the granting of special mandate regarding the method of payment for the possible placing of new H Shares as consideration shares and amendments to the articles of association of the Company were approved at the extraordinary general meeting and class meetings of the Company convened on 12 September 2016. For details please refer to the Company's announcements published on the GEM website on 24 April 2016 and 29 April 2016, the notice and circular regarding the extraordinary general meeting and class meetings on 25 July 2016 and the announcement in respect of the results of extraordinary general meeting and class meetings on 12 September 2016 respectively.

INCLUDED IN THE MSCI CHINA SMALL CAP INDEX

The Company has been incorporated as a constituent stock of the Morgan Stanley Capital International (MSCI) China Small Cap Index, effective after the trading hours on 31 May 2016. The MSCI China Small Cap Index is one of the MSCI Global Small Cap Indices series and is designed to measure the performance of the small cap segment of the China market. The MSCI China Small Cap Index contains 426 constituent stocks. The Company is the only Hong Kong GEM Board listed company to be included to the MSCI. For details, please refer to the announcement of the Company published on GEM website dated 16 May 2016.

RESIGNATION AND APPOINTMENT OF DIRECTORS

The Company issued an announcement on 9 August 2016 that the Board had accepted the resignation of Mr. Ou Linfeng, a non-executive Director, with effect from 9 August 2016.

The Board proposed to appoint Mr. Liu Renmu as a non-executive Director for a term commencing on the date of approval by the shareholders and expiring on 31 December 2016. The aforesaid proposal was passed as an ordinary resolution at the extraordinary general meeting convened on 14 October 2016. For details, please refer to the announcement of the Company dated 9 August 2016 published on the GEM website, and the notice of extraordinary general meeting and circular dated 11 and 23 August 2016 respectively, and the announcement of the results of the extraordinary general meeting dated 14 October 2016 published on the GEM website.

CESSATION OF THE TERMS OF SERVICES AND PROPOSED RE-DESIGNATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS AND SUPERVISORS

The Company issued an announcement on 8 November 2016 that the Board would like to announce that the term of the service contracts of all the Directors and Supervisors of the Company will expire on 31 December 2016 and all Retiring Directors (except Mr. Wang Shuxin, Mr. Guan Tong, Mr. Wu Chen and Mr. Chan Kin Sang) and all Retiring Supervisors (except Mr. Gao Xianbiao) will not offer themselves for re-election. Following the expiry of the service terms of Mr. Wang Shuxin as an executive Director, each of Mr. Guan Tong, Mr. Wu Chen and Mr. Chan Kin Sang as an independent non-executive Director and Mr. Gao Xianbiao as an independent Supervisor, the Board proposes to re-designate Mr. Liu Renmu (a non-executive Director before re-designation) as an executive Director, appoints Dr. Li Ximing as a non-executive Director, appoints each of Mr. Li Xudong, Mr. Duan Zhongpeng and Ms. Gao Chun as an independent non-executive Director, and Ms. Feng Ling as an independent Supervisor of the Company. Such re-designation, appointments and re-election of Directors and Supervisors were passed as ordinary resolutions at the extraordinary general meeting convened on 28 December 2016. For details, please refer to the announcement of the Company dated 8 November 2016 published on the GEM website, notice of extraordinary general meeting and circular both dated 9 November 2016, and the announcement of the results of the extraordinary general meeting dated 28 December 2016 published on the GEM website.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION ON TRANSFERRING OF DOMESTIC SHARES

The Company issued an announcement on 8 November 2016 that, on 3 November 2016, Beijing Zhongxing Wuhuan Building Materials Company Limited ("Zhongxing Wuhuan"), as the seller, entered into an agreement with Beijing Jinbaida Information Technology Company Limited (北京金百達信息技術有限公司) ("Beijing Jinbaida") to transfer 10,000,000 domestic shares of the Company to Beijing Jinbaida, representing 0.63% of the total issued share capital of the Company. The Board has proposed to amend Article 20 of the Articles of Association of the Company to reflect the transfer of 10,000,000 domestic shares of the Company to Beijing Jinbaida. The matter regarding the amendment to the Articles of Association of the Company on transferring the domestic shares was passed as a special resolution at the extraordinary general meeting convened on 28 December 2016. For details, please refer to the announcement of the Company dated 8 November 2016 published on the GEM website, notice of extraordinary general meeting and circular both dated 9 November 2016, and the announcement of the results of the extraordinary general meeting dated 28 December 2016 published on the GEM website.

SEGMENTAL INFORMATION

For the year ended 31 December 2016, there is only one business segment, which is manufacturing and sales of biological compound fertilizer products. For the year ended 31 December 2015, the Group principally operates in two business segments: (1) compound fertilizers products; and (2) health care products. The details are set out in Note 6 to the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During 2016, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2016, the Group's current assets and net current assets were RMB370,869,399 (31 December 2015: RMB358,881,643) and RMB260,624,945 (31 December 2015: RMB244,810,021) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 3.36 (31 December 2015: 3.15). The Group's current assets as at 31 December 2016 comprised mainly cash and bank balances of RMB85,743,326 (31 December 2015: RMB105,637,380), trade and bills receivables of RMB89,830,445 (31 December 2015: RMB78,395,214), prepayments and other receivables of RMB116,116,280 (31 December 2015: RMB79,562,058) and inventories of RMB68,465,182 (31 December 2015: RMB90,377,523).

As at 31 December 2016, total bank borrowings of the Group amounted to RMB40,000,000 (31 December 2015: RMB45,000,000) The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed and variable interest rates ranging from 4.3% to 7.4% (31 December 2015: 5.3% to 7.8%) per annum. Out of all the bank borrowings, a total amount of RMB20,700,000 will mature in the first half of 2017, a total amount of RMB19,300,000 will mature in the second half of 2017.

As at 31 December 2016, the Group's consolidated total assets and net assets were RMB459,627,648 (31 December 2015: RMB458,505,263) and RMB349,383,194 (31 December 2015: RMB344,433,641) respectively. The Group's consolidated gearing ratio, represented by the ratio of total liabilities to total assets, was 0.24 (31 December 2015: 0.25). As at 31 December 2016, the Group's consolidated gearing ratio, represented by the ratio of total bank borrowings to total assets, was 0.09 (31 December 2015: 0.10).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities amounting to RMB15,000,000 (31 December 2015: RMB20,000,000) in connection with the provision of guarantee as security for bank loans granted to an associate.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 492 employees (2015: 480 employees). The remunerations of the Group's employees are determined in accordance with the terms of government policies and by reference to market standard and the performance, qualifications and experience of employees. Discretionary bonuses are paid to a few employees as a recognition of and reward for their contributions to the corporate development. Other benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances.

USE OF PROCEEDS OF PLACING

On 28 April 2015, the Company obtained the approval for the listing of and permission to deal in not more than 175,000,000 new H Shares and not more than 17,500,000 Sale H Shares, an aggregate of 192,500,000 Total Placing H Shares have been successfully placed at the placing price of HK$0.70 per Share. The net proceeds of the Placing of New H Shares and the Sale H Shares are approximately HK$119.44 million and HK$11.94 million respectively. The net proceeds from the Sale H Shares will be paid to NSSF Council as required by the State-owned Shares Reduction Regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2016, the net proceeds of the Placing of New H Shares had been applied as follows:

Unit: HK$	Use of proceeds as intended according to the placing plan	Actual amount applied as of 31 December 2016
As to approximately 60% for the consolidation of the distribution channels and expansion of marketing network of the Group	71,664,000	56,390,188
As to approximately 15% for the brand development of the Group	17,916,000	21,557,012
As to approximately 10% for the research and development of new products	11,944,000	26,842,035
As to approximately 15% for general working capital (note)	17,916,000	20,035,300
Total	**119,440,000**	**124,824,535**

Note: Details of the proceeds of the Placing of New H Shares applied as general working capital as follows:

Unit:	HK$ Actual amount applied as of 31 December 2016
Intermediary expenses	6,132,569
Taxation	3,639,695
Administrative expenses	7,898,185
Finance costs	2,364,852
Sub-total	**20,035,301**

EXPOSURE TO FOREIGN CURRENCY RISK

The Group has a relatively low foreign currency risk since all the sales of the Group are domestic sales in China denominated in Renminbi and all payables to suppliers are also denominated in Renminbi.

TREASURY POLICIES

The Group's bank borrowings are denominated in Renminbi and are usually renewed for one year upon maturity. Any surplus cash will be placed as deposits with licensed banks in China.

FUTURE OUTLOOK

Looking forward into 2017, the global economy will enter into a new growth cycle with the economic growth of major developed countries remain at a low level. Hence, albeit every country will adopt various measures to boost its economy, however, there is no fundamental change in the global economic recovery momentum. From the current domestic economic conditions perspective, the transformation and upgrading of structural adjustment is at a critical stage, the economy still faces huge downturn pressure. Certain signs of settling down in the current domestic economy were emerging and the sustainable intrinsic force deciding the medium and long-term development quality is gradually integrating. Given the uncertainties in both the domestic and overseas macroeconomics environment, the continuous operating biological compound fertilizer segment and the healthcare businesses under the strategic transformation and upgrading of the Group are sunrise industries encouraged by the government's 13th Five Year Plan to develop and they have tremendous development potential. In additional to making efforts to continuously operating the biological compound fertilizer business, the management of the Company will actively control and monitor the risks to ensure the smooth and successful transformation of the healthcare sector.

The requirements regarding the promotion of agricultural supply-side structural reforms in the Central Document No.1 this year has expressly signified the direction of structural adjustment to agricultural resources industry. Of which, the key statement of "starting piloting project works of replacing fertilizers by organic fertilizers to facilitate cost-saving and efficiency-improvement in agriculture industry" means the organic fertilizers have been listed as national strategies. According to "Guiding Opinions on Promoting the Transformation Development of Fertilizer Industry" published by the Ministry of Industry and Information Technology of China and the requirements of the "Action Program for Zero Growth in the Use of Fertilizer by 2020" formulated by the Ministry of Agriculture, the development of fertilizer industry of China will mainly focus on promoting the increase in grain yield and farmers' income, the safety of the ecological environment and meeting the demand for scientific fertilization. The Company's subsidiaries, Guangdong Fulilong and Shandong Hidersun, will continue to foster new sources of profit growth according to the national development strategies and the aforesaid guidelines and requirements, quicken the pace of the research and development of new ecological and environment-protection fertilizers, such as new bio-organic fertilizers, active specific fertilizers and bio-bacterial manures by leveraging on the technology platform "Guangdong Fulilong Soil Conditioning and Remediation Institute"（廣東福利龍土壤調理修復研究院）, so as to effectively improve the operation quality and efficiency of the Group's biological compound fertilizer business and ensure the sustainable and sound development of the Group's compound fertilizer business through the continuous technological innovation, product innovation and service innovation, and make adjustments on product structure and marketing model according to market changes, further expand the market channels for specific fertilizers in large-scale base, and enhance agrichemical service by leveraging on the technical advantages of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

With the improvement on the living standard of people and the acceleration of aging population, the demand for medical services increases steadily and the medical and healthcare sector becomes the development focus of the strategic emerging industry and "Made in China 2025" strategy. During the 13th Five Year Plan period, the strategic opportunity regarding the accelerating development of traditional medical and pharmaceutical system in the medical and healthcare industry and their modelling transformation will present an innovative and strategic opportunity for the development of the high-end medical devices and diagnosis and treat segments based on "Internet+", Big Data and artificial intelligence. Through cooperation with relevant technology research and development teams in the United States, the Company successfully acquired the world's unique quantitative EEG detection and diagnosis technology. Such technology is used in the cutting-edge human brain medical sector for remote and precise medical treatment to provide quantitative automatic detection diagnosis of brain waves through artificial intelligence cloud with self-learning ability. The Company will introduce such advanced and matured medical and healthcare projects into the East Asian markets and foster new sources of profit growth, aiming to achieve the Company's upgrading in both its strategy and innovation.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, all members of the Supervisory Committee (the "Supervisory Committee") of our Company have faithfully carried out their duties and obligations in accordance with the requirements of the PRC Company Law and the Association of our Company, executing the functions of monitoring the operation and management of the Company and supervising the directors and senior management officers so as to guarantee the rights and interests of the shareholders, the Company and our staff.

1. MEETING OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee has convened four meetings in total:

1. On 31 March 2016, the Supervisory Committee held the first meeting in 2016, at which the consolidated financial statements of the Group for the year 2015 audited by BDO Limited was reviewed and approved;

2. On 10 May 2016, the Supervisory Committee held the second meeting in 2016, at which the first quarterly report of the unaudited results for the three months ended 31 March 2016 was reviewed and approved;

3. On 9 August 2016, the Supervisory Committee held the third meeting in 2016, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2016 was reviewed and approved;

4. On 8 November 2016, the Supervisory Committee held the fourth meeting in 2016, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2016 was reviewed and approved.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2016:

1. As to the compliance of the operation of the Company: the Supervisory Committee of the Company has supervised the convening procedures and the resolutions of the Company's general meetings and Board meetings, the Board's implementation of the resolutions passed at the general meetings, the performance of the senior management's duties, and the management system of the Company in accordance with relevant regulations in China and the Articles of Association, and is of the opinion that, the Board and the management of the Company have operated in compliance with the relevant laws, strictly implemented all the resolutions passed at the general meetings, adopted wise and correct operating policies, and further improved the internal control system during the current reporting period, and that none of the directors, the chief executive officer and the senior management has violated any law, regulation or the Articles of Association or caused any damage to the interest of the Company or the shareholders during the performance of their duties.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2016: *(continued)*

2. As to the financial review on the Company: the Supervisory Committee has carried out financial review on the Company, and is of the opinion that, the financial report of the Company is a true reflection of the Company's financial and operational results, and that the audit report is true and reasonable without any false record, misleading statement or omission of important material facts, and is favorable for the shareholders to truly understand the financial and operational status of the Company.

In the coming year, the members of the Supervisory Committee will continue to improve their working capabilities, enhance their senses of responsibilities and adhere to principles, while being bold, fair and responsible when performing their duties. Meanwhile, the Supervisory Committee will further improve the corporate governance, enhance the consciousness of self-discipline and sense of integrity, strengthen the supervisory intensity as well as earnestly bear the responsibilities of protecting shareholders' interests in accordance with the Company Law for the purpose of creating a sustained and healthy development of the Company.

Tianjin TEDA Biomedical Engineering Company Limited
Yang Chunyan
Chairman of the Supervisory Committee

15 March 2017

DIRECTOR'S REPORT

The Directors submit their report together with the audited consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATION

The principal activities of the Company are the research and development and commercialization of biological compound fertilizer products and health care products.

The activities of the subsidiaries are set out in Note 36 to the consolidated financial statements.

CHANGE OF SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 27 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 61 of this annual report.

The Directors do not recommend the payment of any dividend during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company at 31 December 2016 calculated under the Company's bye-laws amounted approximately to RMB Nil (2015: RMB Nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 64 of this annual report and Note 30 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 15 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association (the "Articles") and there is no restriction against such a right under the laws of the People's Republic of China (the "PRC").

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2016 is set out on page 5 of this annual report.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group and the Company had contingent liabilities amounting to RMB15,000,000 (31 December 2015: RMB20,000,000) and RMB45,000,000 (2015: RMB20,000,000) respectively in connection with the provision of guarantee as security for bank loans granted to its associate.

DIRECTOR'S REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– The largest supplier	32.93%
– Five largest suppliers combined	53.27%

Sales

– The largest customer	16.02 %
– Five largest customers combined	26.38 %

None of the directors, any of their associates or any shareholder that, as far as the directors are aware, holds more than 5% of the Company's shares, are interested in the major suppliers and customers mentioned above.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors, supervisors and senior management during the year were:

Executive Directors

Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu (re-designated on 1 January 2017)
Mr. Wang Shuxin (retired on 31 December 2016)

Non-executive Directors

Mr. Feng Enqing
Mr. Chen Yingzhong
Mr. Ou Linfeng (resigned on 9 August 2016)
Mr. Liu Renmu (appointed on 14 October 2016, re-designated on 1 January 2017)
Dr. Li Ximing (appointed on 1 January 2017)

Independent non-executive Directors

Mr. Li Xudong (appointed on 1 January 2017)
Mr. Duan Zhongpeng (appointed on 1 January 2017)
Ms. Gao Chun (appointed on 1 January 2017)
Mr. Guan Tong (retired on 31 December 2016)
Mr. Wu Chen (retired on 31 December 2016)
Mr. Peter K.S. Chan (retired on 31 December 2016)

Supervisors

Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors

Mr. Liang Weitao
Ms. Feng Ling (appointed on 1 January 2017)
Mr. Gao Xianbiao (retired on 31 December 2016)

Senior Management

Chief Executive Officer

Ms. Sun Li

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen Raymond

The Company has three executive directors, three non-executive directors and three independent non-executive directors respectively. The number of supervisors of the Company remained at four, including two independent supervisors.

According to the requirements of the Articles of the Company, all the directors and supervisors of the Company are appointed for a term of three years and are subject to re-election every three years. In the current session, all the directors and supervisors of the Company were appointed for a term of three years until 31 December 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ms Sun Li ("Ms. Sun"), aged 43, the Chairman of the Board of Directors of the Company, graduated from the Economic and Trade Faculty of Central South University with a bachelor's degree in Technological Economics in June 1995 and with a master's degree in Management Business Administration Faculty in June 1998. Ms. Sun was among the first batch of candidates who obtained the qualification of sponsor representatives from the Securities Association of China in 2004. Ms. Sun has engaged in investment banking for 15 years, with rich experience in filtering quality corporations, restructuring, counseling, IPO operating as well as mergers and acquisitions of listed companies. From August 1998 to April 2004, she successively acted as business director, senior manager, and business manager at the investment banking headquarter of Dapeng Securities Co., Ltd. (大鵬證券有限責任公司). From May 2004 to August 2005, she served as deputy general manager in Shenzhen investment banking division of Centergate Securities Co., Ltd. (中關村證券股份有限公司). From September 2005 to March 2010, she successively served as business director, internal auditor, member of GEM's advisory committee at the investment banking headquarter of China Merchants Securities Co., Ltd. (招商證券股份有限公司). From April 2010 to April 2013, she served as general manager and internal auditor in mergers and acquisitions division of Minsheng Securities Co., Ltd. (民生證券有限責任公司). From May 2013 until now, she served as president,director and co-partner of Beijing Yingguxinye Investment Co., Ltd (北京盈穀信曄投資有限公司). From September 2014 until now, she was the founding member of Tianjin Teda "Wings of the Angel" Investor Club. From May 2015 until now, she was appointed as supervisors of Shenzhen Xiangyong Investment Company Limited and Dongguan Lvye Fertilizers Company Limited. From September 2015 until now, she, as the beneficial owner of Beijing Tianyuhongtai Technology Co., Ltd. (北京天宇鴻泰科技有限公司), held its 16% shares. From December 2015 until now, she was appointed as a director of Beijing Yingguchuangrong Information Technology Co., Ltd. (北京盈穀創融信息科技股份有限公司). From August 2015 until now, Ms. Sun was appointed as an executive director and the Chairman of the Board of Directors of the Company. From September 2015 until now, she served as Chief Executive Officer of the Company.

DIRECTOR'S REPORT

Mr. Hao Zhihui ("Mr. Hao"), aged 55, the vice chairman of the Board of Directors of the Company, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd（天津德普生物技術和醫學產品有限公司）. From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department（醫藥產業部部長）. In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president（常務副總裁）in the Company. He has been the President of the Company from August 2006 to April 2011. Mr. Hao was appointed as an Executive Director of the Company since May 2009 and was appointed as Vice Chairman of the Board of Directors of the Company since April 2011.

Mr. Liu Renmu ("Mr. Liu"), aged 53, graduated from the University of California in the United States of America, majoring in marketing, and obtained a bachelor's degree granted by the business school of the University of California, Los Angeles in June 1993. Mr. Liu has been engaged in education and marketing industry for 20 years, with a wealth of marketing experience in education market. Mr. Liu worked as a sales manager of Jare Auto Inc. (United States) from 1991 to 1995. He was the chairman of the board and chief executive officer of Han Sheng International Inc.（瀚聖國際股份有限公司）from 1997 to 1999 and of Wei Han Internet Limited by Share Ltd.（威瀚資訊網路股份有限公司）from 2000 to 2001. From 2003 to 2008, he was an executive director of Kishow Inc.（力瀚文創股份有限公司）. From 2005 to 2008, Mr. Liu served as a committee member of the science and education research center of Taiwan Yuan Ze University. He was the chairman of the board of Beijing Daren Technology Inc.（北京大仁科技股份有限公司）from 2004 to 2011. Since 2011, Mr. Liu has served as the executive director of marketing of Inland Empire Renewable Energy Regional Center (United States).Mr. Liu joined the Company in October 2016 and was appointed as a Non-executive Director of the Company. From December 2016 until now, Mr. Liu was appointed as an Executive Director of the Company.

Non-executive Directors

Mr. Feng Enqing ("Mr. Feng"), aged 58, graduated from Tianjin Industrial University（天津工業大學）in 1982 with a degree in textile chemical engineering（紡織化學工程）and joined TTII as the project manager in 1996. Mr. Feng was the chief engineer of TTII from 2001 to 2004 and has been the assistant director of Tianjin TEDA International Incubator since 2009. Mr. Feng joined the Company in September 2000 and has been appointed as a non-executive director since then.

Mr. Chen Yingzhong ("Mr. Chen"), aged 51, has over 20 years of substantial experience in sales and general management and has been extremely familiar with the business and operations of the Group. Mr. Chen has joined the Group since January 2004 and acted as the General Manager of the Sales Department of Guangdong Fulilong Compound Fertilizers Co. Ltd.. From 2007 to 2012, Mr. Chen assumed the position of the General Manager of the Sales Department of Shandong Hidersun Fertilizer Industry Co., Ltd. ("Shandong Hidersun") and he has been appointed as the chairman of Shandong Hidersun since November 2012. Since March 2009, Mr. Chen has also become the sole equity owner and chairman of Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers"). Mr. Chen has been appointed as an executive director of the Company since May 2014 and also has been appointed as a non-executive director of the Company since August 2015.

Dr. Li Ximing ("Dr. Li"), aged 55, graduated from Chinese Academy of Medical Science with a master's degree in neuropharmacology in 1988; graduated from Karolinska Institute in Sweden with a doctoral degree in neuroscience in 1995; graduated from the neuroscience drug development research center (神經藥物研究中心) at Lilly Research Labouratories as a postdoctoral researcher in 1998. Dr. Li is hired specifically as an expert for the Recruitment Program of Global Experts (千人計劃) in PRC, who owns more than twenty years of national and foreign experiences in new drug research and development. Dr. Li has also accumulated fruitful experience in project management of international new drug research and development, designing and practicing clinical trial, contract research organization (CRO) management, Food and Drug Administration (FDA) drug approvals, expert consultation and selection of investors. Dr. Li was a researcher at the department of obesity studies (肥胖研究部) of Bayer U.S. innovation Center from 1998 to 2001; was an expert of clinical trial at the department of central neuroscience drug development (中樞神經藥物研究部) of Pharmacia from 2001 to 2002; was an associate director at the department of central neuroscience drug development (中樞神經藥物研究部) of Eisai Inc. (a subsidiary of Tokyo-based Eisai Company Limited) from 2002 to 2004; was an associate director of clinical trial at the research center of central neuroscience drug development (中樞神經藥物研究所) of Roche Diagnostic USA from 2004 to 2005; was a vice president of medical research at the international research and development center (國際研發中心) of Bayer China from 2005 to 2012; is the vice president of registry clinical studies at Luye Pharma Group Limited since 2013. Dr. Li was appointed as a Non-executive Director of the Company since December 2016.

Independent non-executive Directors

Mr. Li Xudong ("Mr. Li"), aged 46, is a senior accountant with a bachelor's degree in accounting, who also is an accountant, a public valuer and a tax agent certified in PRC; is an executive partner with specific normal partnership (特殊普通合伙) at Da Hua Certified Public Accountants (大華會計師事務所), a member of Certified Management Committee (註冊管理委員會) at the Beijing Institute of Certified Public Accountants (北京註冊會計師協會); was a member of the 13th, 14th and 15th Issuance Examination Committee (主板發行審核委員會) of China Securities Regulatory Commission (中國證監會). Mr. Li has been engaged in certified accountant services since 1996, who focuses in listing whole or part of corporate assets, asset restructuring, IPO issuance examination of listed company and consultation services. Mr. Li was a certified accountant of main examination and signing at listed companies and large state-owned enterprises such as Dalian Wanda Commercial Properties Company Limited (萬達商業地產股份有限公司), Inner Mongolia Junzheng Energy & Chemical Group Company Limited (內蒙古君正能源化工股份有限公司), Hangxiao Steel Structure Company Limited (浙江杭蕭鋼構股份有限公司), China Camc Engineering Company Limited (中工國際工程股份有限公司), and China National Machinery Industry Corporation (中國機械工業集團公司). Mr. Li has rich and professional experience in the fields of accounting, examination, asset evaluation, mergers and acquisitions, as well as company management consultation service. Mr. Li was appointed as a Non-executive Director of the Company since December 2016.

Mr. Duan Zhongpeng ("Mr. Duan"), aged 49, is senior economist with a master's degree in economics. Mr. Duan is a director, vice president, board secretary of an A Share listed company, BTG Hotels (Group) Company Limited (北京首旅酒店(集團)股份有限公司) (Stock code: 600258); is also a chairman of board at Beijing Jinglun Hotel Limited Liability Company (北京市京倫飯店有限責任公司), Shindom Hotel Co., Ltd. (北京欣燕都連鎖酒店有限公司) and Shijiazhuang Yake Yi Jia Hotel Management Co., Ltd. (石家庄雅客怡家酒店管理有限公司), and an independent director at the China Fortune Land Development Company Limited (華夏幸福基業股份有限公司) (Stock code: 600340). Mr. Duan was an independent director at A Share listed company, Shaanxi Xinghua Chemistry Company Limited (陝西興化化學股份有限公司) (Stock code: 002109) and Zhejiang IDC Fluid Control Company Limited (浙江艾迪西流體控制股份有限公司) (Stock code: 002468), and a chairman and president at Beijing Tourism Advertising limited liability company (北京旅遊廣告有限責任公司) respectively. Mr. Duan worked at the Jiangxi government department and was a deputy director at the capital project bureau, department of co-operation management (營運管理部資本項目處) of the People's Bank of China Beijing. Mr. Duan was appointed as an Independent non-executive Director of the Company since December 2016.

DIRECTOR'S REPORT

Ms. Gao Chun ("Ms. Gao"), aged 46, graduated from Gannon University with a master's degree in business administrative. Ms. Gao was a financial analyst in 6 sigma Black Belts (mass management method) at General Electric Company from 2000 to 2004.Ms. Gao was a financial manager at the Bayer U.S., development officer and business operation officer of Bayer China from 2004 to 2016. Ms. Gao was appointed as an Independent non-executive Director of the Company since December 2016.

Supervisors

Ms. Yang Chunyan ("Ms. Yang"), aged 40, graduated from Tianjin University (天津大學) in 2005 with a bachelor's degree in financial management. She acquired the title of intermediate-level accountant in 2008. She worked at the Finance Department of TTII from June 1996 to August 2000 and has been working with the Financial Management Department of the Company since September 2000, and has been appointed as Chairman of the Trade Union of the Group since 28 June 2007 and a supervisor of the Company since January 2010.

Ms. Liu Jinyu ("Ms. Liu"), aged 44, graduated with a degree in Corporate Management and Human Resources Management from Tianjin Nankai University (天津南開大學). Between 1997 and 2001, she acted as the chief officer of the human resources department of Tianjin New World Department Store Co., Ltd. (天津新世界百貨有限公司). Then she was engaged as the manager of the general department of Tianjin Zhongying Food Co., Ltd (天津中迎食品有限公司) from 2001 to 2003 and the human resources manager of Tianjin Auchan Hypermarkets Co., Ltd (天津歐尚超市有限公司) from 2003 to 2007. Ms. Liu joined the Company as human resources manager in 2007 and has been appointed as deputy officer of the President's office of the Company since April 2011. Ms. Liu was appointed as a Supervisor of the Company since August 2011.

Independent Supervisors

Liang Weitao ("Mr. Liang"), aged 34, graduated from Tongji University with a bachelor's degree in science, from Zhejiang University with a master degree in science and from City University of Hong Kong with a master's degree in management. Mr. Liang previously worked in the investment banking department of China Merchants Securities and was responsible for/participated in IPO, corporate bonds, refinancing, mergers and acquisitions and reorganization. Mr. Liang currently serves as deputy managing director at the NEEQ business headquarter and responsible person at the recommended quotation division of Greatwall Securities. Mr. Liang has been appointed as an Independent Supervisor of the Company since December 2016.

Ms. Feng Ling ("Ms. Feng"), aged 35, is a university graduate. From September 2005 to December 2007, she served as a human resources officer of Kyowa Plastics Industrial (Shenzhen) Company Limited (喬奧華塑膠製品(深圳)有限公司). From March 2008 to March 2010, she was a recruitment manager of Lucky Valley Technology (Shenzhen) Company Limited (瑞谷科技(深圳)有限公司). From April 2010 to December 2013, she acted as a deputy director of human resources in Shenzhen Kingee Culture Development Company Limited (深圳金一文化發展有限公司). From March 2014 to November 2015, she was a human resources manager of the human resources center at the headquarters of Guangdong Youdao Auto Group (廣東有道汽車集團). Since November 2015, she has been serving as a human resources manager of Ningxia Yinggu Industry Company Limited (寧夏盈谷實業股份有限公司). Ms. Feng has been appointed as a independent Supervisor of the Company since December 2016.

SENIOR MANAGEMENT

Chief Executive Officer

Ms. Sun Li, whose biographical details are set out in the section headed "Executive Directors" has been appointed as the Chief Executive Officer of the Company since September 2015.

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen Raymond ("Mr. Ng"), aged 56, was an associate member of the Association of Cost and Executive Accountants in September 1985 and became a fellow member of that Association in October 1986. In November 1997, he was awarded a Graduate Diploma in Administration and a Bachelor Degree of Arts by Australian Catholic University, Australia and Ottawa University, Ottawa, Kansas State, the United States of America respectively. Mr. Ng became a member of the Institute of Certified Public Accountants in Ireland in October 2002, a fellow member of the Institute of Chartered Secretaries and Administrators in November 2003 and an associate member of the Association of International Accountants in June 2004. In April and July 2005, Mr. Ng became a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the Taxation Institute of Hong Kong respectively. Before joining the Company, Mr. Ng has more than 10 years of audit experience.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and the supervisors of the Company has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

The initial term of these contracts was three years commencing on 1 January 2017. The service contracts of the Company's directors and supervisors were renewed for a term of three years commencing from 1 January 2017 as approved at the extraordinary general meeting held on 28 December 2016 unless terminated by either party giving not less than one month's prior written notice to the other.

None of the directors has entered into a service contract with the Company, which cannot be terminated by the Company within one year without payment of compensation, other than statutory compensation.

As to the remunerations of the directors and supervisors of the Company, the Board of Directors of the Company has been authorized by the shareholders of the Company to determine the remunerations of the directors and supervisors on the basis of the prevailing market rate and after receiving recommendation from the remuneration committee of the Company.

MATERIAL CONTRACTS

Save as disclosed in this annual report, no material contracts (including provision of relevant services) in relation to the Group's business to which the Company or its subsidiaries was a party and in which any of the directors, the supervisors of the Company or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

Details of directors' remuneration and the top five highest paid persons are set out respectively in Note 14 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors, namely Mr. Li Xudong, Mr. Duan Zhongpeng and Ms. Gao Chun, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listings Rules") and the Company still considers the independent non-executive directors to be independent.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

Long position in ordinary shares of RMB0.1 each in the Company:

Directors/Supervisors/ Executive Officers	Personal	Family	Corporate	Other	Total	Percentage of the issued share capital
Ms Sun Li	–	–	300,000,000 (Note 1)	–	300,000,000	18.81%
Mr. Chen Yingzhong	–	–	170,000,000 (Note 2)	–	170,000,000	10.66%

Note 1. Out of these shares, 180,000,000 shares are held by Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment") and 120,000,000 shares are held by Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers"). Ms. Sun Li is the beneficial owner Beijing Yingguxinye Investment Co., Ltd. ("Yingguxinye") holding its 15% equity interest, while Yingguxinye holds 100% equity interest in Xiangyong Investment and Lvye Fertilizers, respectively. All of the shares represent domestic shares.

Note 2. These shares are held by Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers"), and Mr. Chen Yingzhong is the beneficial owner who holds 100% equity interest in Zhinong Fertilizers. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as at 31 December 2016, none of the Directors or the Supervisors of the Company had interest in any securities and underlying shares and debentures of the Company or any of its associated corporations, which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors and the supervisors of the Company or their respective spouses or children under 18 years of age, to have the rights to subscribe for the Company's securities or to exercise any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the following persons (other than the Directors and the Supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in ordinary shares of RMB0.1 each in the Company:

Names of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator ("Incubator")	Beneficial owner	182,500,000 (Note)	11.44%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Note)	11.29%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	170,000,000 (Note)	10.66%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers")	Beneficial owner	120,000,000 (Note)	7.52%

Note: All of the shares represent domestic share.

Save as disclosed above, as at 31 December 2016, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered or existed during the year.

COMPETING INTERESTS

During the year ended 31 December 2016, none of the Directors, the Supervisors, or the management shareholders and their respective associates of the Company (as defined under the GEM Listing Rules) competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its shares during the period under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period ended 31 December 2016.

SHARE OPTION SCHEME

For the year ended 31 December 2016, the Company has no existing share option scheme in place.

DIRECTOR'S REPORT

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules and by reference to the "Guidelines for The Establishment of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee of the Company comprises three independent non-executive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K.S. Chan during the period under review, among whom, Mr. Guan Tong has been appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience. The new audit committee of the Company comprises three independent non-executive directors, namely Mr. Li Xudong, Mr. Duan Zhongpeng and Ms. Gao Chun since 1 January 2017, among whom, Mr. Li Xudong was appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience.

The preceding audit committee had held five meetings during the current financial year. The new audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 33 to 43 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The details of Environmental, Social and Governance Report is set out on page 44 to 55 of this annual report.

SUFFICIENCY OF THE PUBLIC FLOAT

On the date of this report, according to the information published by the Company and to the best knowledge of the directors, the Company has maintained the public float as prescribed in the GEM Listing Rules.

AUDITOR

On 24 May 2016, BDO Limited ("BDO") was re-appointed, and appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by BDO. A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as the auditor of the Company.

On behalf of the Board
Sun Li
Chairman

Tianjin, China, 15 March 2017

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company have endeavored to apply the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules to the Group. The corporate governance principles which the Company complies emphasize on the establishment of an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with all the provisions of the Code except A.2.1 of the Code during the period under review.

DIRECTORS' SECURITIES TRANSACTION

For the year ended 31 December 2016, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Directors of the Company have complied with such code of conduct and the required standard of dealings.

BOARD OF DIRECTORS AND BOARD MEETING

Board Composition and Board Practices

The Board comprises nine Directors of the Company including three executive Directors, three non-executive Directors and three independent non-executive Directors. All executive Directors have given tremendous efforts, time and attention to the affairs of the Group. Each Director has sufficient experience to hold the position. There is no financial, business, family or other material/relevant relationship amongst the Directors. The Directors' biographical information is set out on pages 25 to 28 under the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

The Board, currently headed by the Chairman, Ms. Sun Li, is responsible for overall corporate development strategy, annual and interim results, implementation of corporate plans, risk management, major acquisitions, disposals and capital raising, and other significant operational and financial matters. The Chairman of the Board has focused on the effective operation of the Board, and encouraged all the Directors to devote themselves to the affairs of the Board, perform their own duties and discuss all the important issues in a timely manner. The Chairman also supervised the implementation and review of good corporate governance practices and procedures. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before publication, execution of business strategies and initiatives adopted by the board of Directors, effective implementation of full risk management procedures and internal controls system, and compliance with relevant statutory requirements and rules and regulations. Pursuant to the requirements set out in Code, the Chairman has carried out measures to ensure that the management provides updated information to all the members of the Board on a monthly basis, which contains the latest operational developments, important financial data, major events and, if any, the background information of the issues to be discussed at the Board meeting. The Chairman has also taken appropriate measures to keep in touch with the shareholders and make sure that the opinions of the shareholders can be heard by the Board; to encourage and help the non-executive Directors to make contributions to the Board and to ensure that the executive Directors maintain a constructive relationship with the non-executive Directors.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

The Board members for the year ended 31 December 2016 were:

Executive Directors

Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu (re-designated on 1 January 2017)
Mr. Wang Shuxin (retired on 31 December 2016)

Non-executive Directors

Mr. Feng Enqing
Mr. Chen Yingzhong
Mr. Ou Linfeng (resigned on 9 August 2016)
Mr. Liu Renmu (appointed on 14 October 2016, re-designated on 1 January 2017)
Mr. Li Ximing (appointed on 1 January 2017)

Independent non-executive Directors

Mr. Li Xudong (appointed on 1 January 2017)
Mr. Duan Zhongpeng (appointed on 1 January 2017)
Ms. Gao Chun (appointed on 1 January 2017)
Mr. Guan Tong (retired on 31 December 2016)
Mr. Wu Chen (retired on 31 December 2016)
Mr. Peter K.S. Chan (retired on 31 December 2016)

Pursuant to the requirements of Code provision A.2.1 of the Code, the Chairman of the Board and the Chief Executive Officer shall be performed by two individuals to ensure their respective independence and accountability. The Chairman is responsible for chairing and convening the general meetings, chairing the board meetings, examining the implementation of the resolutions of the Board and formulating overall strategies and policies of the Company. The Chief Executive Officer is responsible for managing the Group's business and overall operations. The day-to-day running of the Company is delegated to the management with divisional heads responsible for different aspects of the business. During the period under review, as Ms. Sun Li serves as the Chairman and the Chief Executive Officer, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is currently appropriate and in the best interests of the Company for Ms. Sun Li to hold both positions as it helps to maintain the stability of the operations of the Company and the transformation and upgrading of healthcare business. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible for increasing the transparency and independence of corporate governance.

Executive directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that complete risk management and internal control system are in place and the Group's business conforms to the applicable laws and regulations.

Non-executive directors (including independent non-executive directors) serve the important function of advising the management on strategy development and ensure that the Board maintains high standards of financial and other mandatory reporting standard as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

The Board complies with the minimum requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors and each of its independent non-executive Directors has made an annual confirmation of his independence pursuant to the GEM Listing Rules. The Company believes, all of the independent non-executive directors are in compliance with the guidelines of independence set out in the GEM Listing Rules and are therefore all independent persons as defined therein. And one of them has the appropriate professional qualifications required under the GEM Listing Rules.

Throughout the year, the Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. The Board of Directors holds at least four meetings per year (one official Board meeting for each quarter at least). During 2016, the Board held 9 meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results and annual results, dividends, the Group's annual budget, business and investments etc. In addition, the Group's management also met with certain non-executive Directors to seek their views on certain business or operational matters. Apart from the regular board meetings of the year, the board of Directors has met on other occasions when a board-level decision on a particular matter was required. The Directors has received details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The Directors have attended meetings in person or through other means of electronic communication in accordance with the Company's Articles. Notice of at least 15 days has been given of a regular board meeting to enable the Directors to make informed decisions on matters to be raised at the board meetings. Independent non-executive Directors and other non-executive Directors have been treated the same as other members of the Board, and have attended the board meetings and the committee meetings where they served as a member to actively participate in the discussion of the issues proposed at the meetings and advice on the developing strategy of the Company based on their own professional background, skills and qualifications. They have also attended general meetings and developed a balanced understanding of the views of shareholders. Besides, pursuant to the requirements of the Code, all directors have received continuous professional development training. During the period under review, the Company arranged one special training in relation to the GEM Listing Rules for the Directors, Supervisors and the senior management, which covered the amendments to the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") and the Environmental, Social and Governance Report Guideline (the "Guideline") and the amendments to the provisions of the GEM Listing Rules.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

During the year, the attendance records of the Board members at the board meetings, general meetings and the training course are as follows:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings	Attendance/ Number of Training Course
Executive Directors			
Ms. Sun Li	9/9	4/4	1/1
Mr. Hao Zhihui	9/9	4/4	1/1
Mr. Wang Shuxin	1/9	0/4	0/1
Non-executive Directors			
Mr. Feng Enqing	4/9	0/4	1/1
Mr. Chen Yingzhong	8/9	0/4	1/1
Mr. Liu Renmu (appointed on 14 October 2016)	1/1	0/2	0/0
Mr. Ou Linfeng (resigned on 9 August 2016)	6/8	0/1	1/1
Independent Non-executive Directors			
Mr. Guan Tong	9/9	0/4	1/1
Mr. Wu Chen	9/9	0/4	1/1
Mr. Peter K.S. Chan	9/9	0/4	1/1

To the knowledge of the Directors, there is no financial, business, family or other material relationships amongst the members of the Board. The Company Secretary attends all regular board meetings to advice on corporate governance and statutory compliance when necessary. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable notice by any Director.

RISK MANAGEMENT AND INTERNAL CONTROL

According to the requirements of Corporate Governance Code under GEM Listing Rules, the Board of the Company is responsible for evaluating and determining the nature and extent of the risks to take in achieving the strategic objectives of the Company, and has established and maintained appropriate and effective risk management and internal control systems. The Board is responsible for supervising the management in the design, implementation and monitoring aspects of the risk management and internal control systems, while the management provides the Board the confirmation of the effectiveness of these systems. The Board will continue to monitor the Company’s risk management and internal control systems, and ensures reviewing the effectiveness of the Group’s risk management and internal control system at least once a year, including but not limited to financial control, operation control and compliance control.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Board and management of the Company formulate and carry out risk management and internal control according to its strategic goals, gradually build up a sound risk management and internal control system, control the risk within affordable range which adapts to the overall goals, and realize the timeliness of company information disclosure and communication, especially to achieve the real and reliable information communication between the Company and shareholders, ensure the normal operation activities of the Company are proceeding smoothly, reduce operation goals achievement uncertainties, and make sure the Company gradually improves the risk contingency plans to every significant risk against material loss that arise not due to disastrous risks or human errors.

The Company has established the risk management and internal control system. The Board is the highest governing body of risk management and internal control of the Company, while the audit committee under the Board is responsible for examining the assessment and solutions and the setting up of the risk management organization, including but not limited to risk management and internal control procedures, strategic adjustment and material risks, and submits to the Board and executes after approval. The chief executive officer of the Group is accountable for the effectiveness of the risk management and internal control. The internal audit department of the Group leads the specific works, and is responsible for the establishment, operation and organization and coordination of the risk management and internal control system, including but not limited to organizing the pushing forward of the improvement of risk management and internal control system, carrying out mid-year and yearly risk assessment and countermeasures; guiding and monitoring the execution of risk management and internal control in the subsidiaries, and raising up management problems that existed and improvement recommendations according to the results of risk analysis and internal control; cultivating enterprise risk management culture and organizing trainings related to risk management and internal control; and preparing yearly work report. The general manager of subsidiaries are accountable for the effectiveness of the risk management and internal control of the Company, and set up specific positions responsible for connecting the works of the headquarters' risk management, summarizing and reporting relevant information according to the requirements of the headquarters of the Group, and also completing and submitting daily risk management and internal control information on a timely basis.

The Board of the Company is the management organization of inside information, while the chairman of the Board is the principal of the inside information management, and the office of the Board of the Company is responsible for the daily management of inside information. According to the relevant requirements of SFO, for unpublished inside information involving our operation, finance or other issues that have significant impact on the trading price of the Company's securities, the Company has formulated clearly defined control measures, including but not limited to:

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Directors, supervisors, senior management of the Company and relevant insiders (thereafter referred to "Insiders") should take necessary measures to limit the Insiders of such information to a minimum range before disclosing inside information. The Insiders have the responsibility to keep confidential the inside information he/she is aware of and prior to the inside information is disclosed according to laws, Insiders shall not leak out, report, deliver by any means arbitrarily, shall not make use of the inside information to trade the shares and derivatives of the Company, or recommend others to trade the shares and derivatives of the Company; shall not make use of the inside information to make profit for himself/herself, his/her relatives or others. When discussing issues that may have significant impact on the share price of the Company, the controlling shareholders and actual controlling parties of the Company shall minimize the scope of inside information. If the issue has already spread out in the market and caused fluctuation on the share price of the Company, they should publish announcements to clarify in accordance with relevant procedures in time. When providing unpublished information to controlling shareholders, actual controlling parties and other Insiders, the Company shall file the information to the office of the Board before providing same, and confirms that it has already signed confidentiality agreement with the parties or obtained commitment from them to keep confidential regarding the relevant information, and registered the same in time. When reviewing and voting unpublished information resolutions, the directors of the Company shall perform their responsibilities conscientiously, while the directors involved in related parties shall abstain from voting. When controlling shareholders, substantial shareholders and actual controlling parties request the Company to provide unpublished information without any reasonable grounds, the directors of the Company should turn down the request. If Insiders is in breach of the requirements herein and disclose the inside information externally, or make use of the inside information to conduct insider trading or recommend others to trade using the inside information that causes significant impact or losses to the Company, the directors of the Company will penalize the person(s) by demerit, demotion, removal, confiscation of fraudulent gains, rescission of labour contract, and report the relevant situation and outcome to the regulatory authorities within 2 business days. Insiders who infringed the rules and caused material losses to the Company and committed a crime shall be devolved to the department of justice and subject to criminal liabilities.

AUDIT COMMITTEE

The Group had established an audit committee with written terms of reference in compliance with the GEM Listing Rules. During the period under review, the audit committee comprises three independent non-executive Directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K. S. Chan, among whom, Mr. Guan Tong has been appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience. Since 1 January 2017, the new audit committee of the Company comprises three independent non-executive directors, namely Mr. Li Xudong, Mr. Duan Zhongpeng and Ms. Gao Chun, among which, Mr. Li Xudong has been appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience.

During the year, the audit committee performed its duties and held five committee meetings to review and discuss the final, quarterly and interim results and the consolidated financial statements. In addition, the audit committee was also engaged in, among other things, reviewing the effectiveness of the risk management system of the Group; reviewing and supervising the financial reporting process; reviewing the efficiency of the internal control systems of the Group; and reviewing and monitoring the terms of engagement, independence, effectiveness of the external auditor and providing advice thereon to the Board for improvement. Additional meetings may also be held by the audit committee from time to time to discuss special projects or other issues that the audit committee considers necessary. The external auditor of the Group may request a meeting if they consider necessary.

The new audit committee has reviewed and discussed the results of the Group for the year ended 31 December 2016 and the 2016 annual report.

AUDIT COMMITTEE *(continued)*

During the year, the attendance record of the audit committee meetings is as follows:

Name of directors	Attendance/ Number of Meetings held
Mr. Guan Tong	5/5
Mr. Wu Chen	5/5
Mr. Peter K.S. Chan	5/5

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the remuneration of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

EXTERNAL AUDITOR

BDO Limited ("BDO", Certified Public Accountant), had been recommended by the audit committee and appointed by the shareholders as the external auditor of the Company and its subsidiaries with effect from 24 May 2016 until the conclusion of the forthcoming annual general meeting of the Company.

The annual consolidated financial statements for the financial year ended 31 December 2016 have been audited by BDO.

The audit committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with the external auditors to discuss the scope of their audit.

The external auditor of the Group for the preceding three years ended 31 December 2014, 2015 and 2016 was BDO.

The remuneration paid/payable to the external auditors of the Company and its subsidiaries in respect of audit services and non-audit services for the year ended 31 December 2016 is set out as follows:

	Fees Received	
Types of Services	**for the year ended 31 December 2016 RMB'000**	for the year ended 31 December 2015 RMB'000
Audit services		
– Annual audit of the financial statement of the company and its subsidiaries	**896**	1,132
Non-audit services	**429**	Nil

NOMINATION COMMITTEE

The Company has established the nomination committee in accordance with the Code. The nomination committee is comprised of three members (each a "Member"), the majority of whom are independent non-executive directors. During the period under review, the nomination committee consists of the chairman Ms. Sun Li, who is also the Chairman of the Board, and two members, namely Mr. Guan Tong and Mr. Wu Chen, who are independent non-executive directors. Since 1 January 2017, the new nomination committee still consists of the chairman Ms. Sun Li, who is also the Chairman of the Board, and two members, namely Mr. Duan Zhongpeng and Ms. Gao Chun.

The primary duties of the Nomination Committee cover the reviewing of the structure of the Board as well as combining the business model and actual needs through considering factors like the number of directors on the Board, the balance of composition of executive directors and non-executive directors, professional experience, cultural and educational background, etc., so as to enhance the diversity of the members of the Board and strengthen the independence elements. Identifying and nominating potential candidates for directorship, reviewing the nomination of Directors and making recommendations to the Board on appointment and re-appointment of Directors are also the duties of the Nomination Committee.

During the year, the attendance record of the nomination committee meetings is as follows:

Name of directors	Attendance/ Number of Meetings held
Ms. Sun Li	2/2
Mr. Guan Tong	2/2
Mr. Wu Chen	2/2

During the year under review, the nomination committee conscientiously performed its duties. Two meetings were held to review the structure, size, diversity and composition of the Board and assessed the independence of the independent non-executive Directors and the performance of the members of the Board including the members of the senior management of the Company.

REMUNERATION COMMITTEE

The Company has established the remuneration committee in accordance with the Code. The remuneration committee is comprised of three members (each a "Member"), the majority of whom are independent non-executive Directors. During the period under review, the remuneration committee consists of the chairman Mr. Guan Tong, an independent non-executive Director, and two members, namely Mr. Wu Chen, an independent non-executive director and Mr. Chen Yingzhong, a non-executive director. Since 1 January 2017, the new remuneration committee consists of the chairman Mr. Duan Zhongpeng, an independent non-executive Director, and two members, namely Ms. Sun Li, an executive director and Ms. Gao Chun, an independent non-executive Director.

The principal duties of the Remuneration Committee include, among other things, formulating, reviewing and making recommendations to the Board on the remuneration policy and structure of the Group, determining the remuneration packages of individual executive Directors and members of senior management and making recommendations to the Board of the remuneration of non-executive Directors.

REMUNERATION COMMITTEE *(continued)*

During the year, the attendance record of the remuneration committee meetings is as follows:

Name of directors	Attendance/ Number of Meetings held
Mr. Guan Tong	2/2
Mr. Wu Chen	2/2
Mr. Chen Yingzhong	2/2

During the year under review, the remuneration committee performed its duties conscientiously. Two meetings were held to review the remuneration policy and structure of the Group, determine the remuneration packages of the Directors and members of the senior management, assess the performance of all Directors and senior management, review and approve the performance-linked remuneration by reference to the operation goals of the Company passed by the Board and make recommendations to the Board in order to ensure the Company has properly disclosed the detail of the remunerations payable to all the directors and members of senior management, whether individually or on a named basis. The remuneration committee of the Company has considered and reviewed the service contracts of the Directors and is of the view that the existing terms of the service contracts are fair and reasonable.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT DURING THE YEAR

	2016 (RMB)			2015 (RMB)		
Name of Directors	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
Executive Directors						
Ms. Sun Li	616,052	4,598	620,650	190,246	–	190,246
Mr. Hao Zhihui	590,537	82,264	672,801	592,037	112,945	704,982
Mr. Wang Shuxin	616,052	82,264	698,316	617,552	115,321	732,873
Non-executive Directors						
Mr. Feng Enqing	–	–	–	41,355	–	41,355
Mr. Chen Yingzhong	–	–	–	–	–	–
Mr. Xie Guangbei (resigned on 30 June 2015)	–	–	–	41,355	–	41,355
Mr. Ou Linfeng (resigned on 9 August 2016)	41,355	–	41,355	–	–	–
Mr. Liu Renmu (appointed on 14 October 2016)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. Guan Tong	41,355	–	41,355	41,355	–	41,355
Mr. Wu Chen	41,355	–	41,355	41,355	–	41,355
Mr. Peter K.S. Chan	155,250	–	155,250	144,931	–	144,931

CORPORATE GOVERNANCE REPORT

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT DURING THE YEAR

(continued)

Name of Senior	2016 (RMB) Salaries, allowances and benefits in kind	2016 (RMB) Retirement benefits scheme contributions	2016 (RMB) Total	2015 (RMB) Salaries, allowances and benefits in kind	2015 (RMB) Retirement benefits scheme contributions	2015 (RMB) Total
Chief Executive Officer						
Ms. Sun Li (appointed on 14 September 2015)	616,052	4,598	620,650	190,246	–	190,246
Mr. Wang Shuxin (resigned on 14 September 2015)	616,052	82,264	698,316	617,552	115,321	732,873
Qualified Accountant/Company Secretary						
Mr. Ng Ka Kuen Raymond	150,000	–	150,000	150,000	–	150,000

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and the applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group.

The statements made by the external auditor of the Company, BDO, as to its reporting responsibilities on the consolidated financial statements of the Group is set out in the Auditor's Report on page 59 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast a significant doubt upon the Company's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting by Shareholders

Pursuant to articles 62(3) and 83 of the Articles of Association (the "Articles") of the Company, extraordinary general meeting (the "EGM") may be convened by the Board on written requisition of any two or more shareholders of the Company (the "Shareholders") holding not less than one-tenth of the issued share capital of the Company having the right to vote (the "Requisitionist"). Such written requisition must specify the objects of the EGM and may be deposited at the head office or Hong Kong Share Registrar and Transfer Office of the Company. The Board upon receipt of the written requisition must convene an EGM as soon as practicable.

If the Board does not within 30 days from the date of receipt of the requisition proceed duly to convene an EGM, the Requisitionist may convene an EGM provided that any meeting so convened shall not be held after the expiration of four months from the date of receipt of the requisition by the Board. The convening procedures should follow the procedures of the board convening a general meeting as far as practicable.

SHAREHOLDERS' RIGHTS *(continued)*

Procedure for putting forward proposals at Shareholders' meetings

Pursuant to article 64 of the Articles of the Company, any Shareholder holding not less than 5% of the issued share capital of the Company having the right to vote may by written requisition propose new resolutions to be discussed at a scheduled annual general meeting. Provided that any such proposed resolution is within the scope of duties to be discussed at an annual general meeting, the Company shall put it in the agenda of the annual general meeting.

Accordingly Shareholders who wish to propose a new resolution to be passed at any annual general meeting shall file a notice in writing to the head office or Hong Kong Share Registrar and Transfer Office of the Company for the attention of the company secretary.

Procedure in respect of the nomination of director candidates by Shareholders

Pursuant to Article 99 of the Company's Articles, if a Shareholder would like to recommend a person other than retiring Directors or candidates recommended by the Directors to be elected as a Director in a general meeting, the Shareholder who is qualified to attend and vote in the general meeting shall sign a notice of nomination (the "Notice of Nomination") in writing and the nominated person shall sign a notice indicating his willingness to stand for the election (collectively the "Notices") and send the Notices to the head office or Hong Kong Share Registrar and Transfer Office of the Company.

The Notice of Nomination shall state the full name of the nominating Shareholder, his/her shareholding in the shares of the Company, and the full name and details of the curriculum vitae of the nominated person, including the relevant qualification and experience, as required under Rule 17.50(2) of the GEM Listing Rules.

The Notices must be submitted from date immediately the following the day of dispatch of the notice of the general meeting on election of Directors to 7 days prior to such general meeting; with a minimum period of 7 days. The Company shall propose a motion to the general meeting for considering the proposed election of the nominated person(s).

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the registered office, head office, principal place of business, Hong Kong Representative Office or Hong Kong Share Registrar and Transfer Office of the Company for the attention of the company secretary.

INVESTORS RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its Shareholders. The Company uses its best endeavor to maintain regular communication with the Shareholders through a number of formal communication channels. In addition, the Company encourages all Shareholders to attend general meetings, which provide opportunities for direct dialogue between the Company and the Shareholders, and for Shareholders to keep informed of the Group's strategies and goals.

At the Company's annual general meeting held on 24 May 2016 and the extraordinary general meeting and class meeting held on 12 September 2016 and the extraordinary general meetings held on 14 October 2016 and 28 December 2016 respective, some of the Executive and Independent non-executive Directors of the Company were present in the meetings to attend to questions from Shareholders.

The Company updates its Shareholders on its key information, latest business developments and financial performance through its notices, announcements and circulars, as well as quarterly, interim and annual reports. The corporate website maintained by the Company at www.bioteda.com provides an effective communication platform to the public and the Shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is the first Environmental, Social and Governance Report published by the Company which involves the environmental, social and governance (the "ESG") performance of the Company and its subsidiaries in their principal place of business. This report is prepared in accordance with the ESG Guide (the "Guide") issued by the Stock Exchange. The Board is of the opinion that a sound environmental, social and governance structure is of great importance to the development of the Company. In addition to its commitment to pursue results growth, the Company also seeks constant perfection in environmental protection, social responsibility and corporate governance while at the same time hopes to improve the operation transparency of the Company continuously.

The time span of this report covers from 1 January 2016 to 31 December 2016. It contains the strategies and practices of the Company in four aspects, namely environmental protection, employment and labour practices, operation practice and community participation, of which, the information regarding environmental protection is come from the Environmental Report of Shandong Hidersun, while other information is come from the official documents and statistical reports of the Group as well as the summary and statistical data provided by the companies under the Group in accordance with the Company's relevant systems. Shareholders, investors and the public can have a more comprehensive and profound understanding of the Company's governance and culture through this report.

In future, the Company will disclose the Environmental, Social and Governance Report on a regular basis, with the purpose of enabling the public to have an understanding of the latest update of the Company in this aspect. We welcome parties from all circles to offer their suggestions and valuable advice relating to this report or the works of the Company regarding ESG through the Company's communication channels, in which it will enable the Group to optimize continuously and further improve its work within the ESG scope.

ENVIRONMENTAL PROTECTION

The Group fulfills its social responsibilities proactively and has always been adhering to the principle of the coordinated development between safety production and environmental protection, utilizes various resources rationally, so as to implement environmental protection in a practical manner. The Group strictly complies with the Law of the PRC on Promoting Clean Production*(《中華人民共和國清潔生產促進法》) to advocate energy conservation and environmental protection and facilitates clean production actively, keeps on improving the operation standards of production operators and production equipment management standard, increases its efforts in pollution treatment and energy conservation transformation to ensure the stable and standard operation of pollutant control facilities.

Shandong Hidersun, the Company's subsidiary, attaches great importance to environmental protection. It volunteered to commerce the first clean production reviewing works in 2012 and passed the inspection and acceptance in 2014. For several years, Shandong Hidersun has established a set of sophisticated clean production management system, including the establishment of an in-house dedicated environment management team and its environmental protection technical personnel is actively cooperating with the regular inspection of the environmental monitoring department. The Company propagandizes the concept, content and significance of "clean production" and "clean production audit" in various forms including forums, blackboard newspapers and pre-shift meetings, trying to make every employee understand the ultimate goals of clean production are "conserve energy, lower consumption, reduce pollution and increase efficiency". The environmental monitoring department monitored the major pollutant discharged by the Company in recent three years, the results of which had demonstrated that the pollutant discharge concentration met the standard requirements.

ENVIRONMENTAL PROTECTION *(continued)*

Guangdong Fulilong, the Company's subsidiary, also puts high values on environmental protection. A few years ago, it was discovered by Guangdong Fulilong after research that the farmland soil was seriously polluted and thus let to low nutrient utilization rate for fertilizers with obvious soil acidification and hardening, damaged the beneficial microflora in farmland soil and affected crop growth seriously. For several years, Guangdong Fulilong conducted scientific and technological research together with South China Agricultural University and other relevant research institutes, strived to perform farmland soil conditioning and remediation and had successively and successfully developed a series of products, including intelligent active fertilizers, that can improve soil quality significantly, and its implementation and application had obtained remarkable results. In order to improve the technical standard of soil remediation further, during the period under review, Guangdong Fulilong set up the "Guangdong Fulilong Soil Conditioning and Remediation Institute"（廣東福利龍土壤調理修復研究院）upon the approval of the Department of Civil Affairs of Guangdong Province. The institute will devote itself to the research of more new technology and new products in respect of soil remediation by integrating both the resources of domestic and overseas top experts, so as to enhance the overall industry technological standard and accelerate solving the soil pollution problems. During the period under review, as Guangdong Fulilong, the Company's subsidiary, re-directed the production of certain products by renting the rotary drum production lines from other compound fertilizer manufacturers, and the products of Guangdong Fulilong sold in the market are mainly come from high-end OEM processing products of external manufacturers, hence, the environmental protection data mentioned in this report only refers to Shandong Hidersun.

Emissions

In light of the nature of the Group's compound fertilizer business at current stage, no large volume of hazardous wastes will be generated during the operation. While conducting energy conservation and consumption reduction by strengthening the management and improving process technology, Shandong Hidersun also attaches great importance to the generation and control of pollutants. All pollutants generated during the storage and transportation processes as well as its production meet the emissions standard requirements after respective treatments and have no significant impact on external environment.

The waste gas of Shandong Hidersun mainly includes coal-fired boiler waste gas and workshop waste gas. For the treatment methods, the boiler waste gas applies the "water film dust removal + desulfurizing" method while the workshop waste gas in compound fertilizers workshop and compound and mixed fertilizers workshop adopt the "precipitation chamber+ alkaline spray" and "precipitation chamber+ whirlwind+ alkaline spray" methods respectively. The waste water of Shandong Hidersun mainly includes spray waste water, boiler blow-off and domestic sewage. Of which, spray waste water is entrusted to villagers in the vicinity to deliver externally for agricultural fertilizers purpose after being precipitated in settling ponds as it is rich in nitrogen and phosphorus and other elements. The boiler blow-off(and demineralized waste water) and domestic sewage are entrusted to Shandong Changle Salcon Raw Water Company Limited*（山東昌樂實康水業有限公司）to be disposed of. The general waste of Shandong Hidersun mainly includes precipitation chamber dust collection, boiler ash, waste packaging bags, excess sludge and household garbage. Of which, the precipitation chamber dust collection is returned all to the production system for use, boiler ash is sold externally for building materials, waste packaging bags and excess sludge are collected and delivered externally for comprehensive use, household garbage is cleared by the sanitation department in the park. The hazardous waste of Shandong Hidersun mainly includes used engine oil and oily waste cloth, which is collected and entrusted to Zhucheng Oasis Renewable Resources Technology Co., Ltd. *（諸城市綠洲再生資源科技有限公司）to be disposed of.

Shandong Hidersun supervises and controls its own emission information in strict compliance with the requirements on emission volume and standards stipulated by relevant laws and regulations.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

The relevant laws and regulations that it complies with mainly include: the Environmental Protection law of the People's Republic of China (《中華人民共和國環境保護法》), Law on the Prevention and Control of Air Pollution of the People's Republic of China (《中華人民共和國大氣污染防治法》), Law on the Prevention and Control of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》) and Law on the Prevention and Control of Solid Waste Pollution of the People's Republic of China and other laws and regulations.

The relevant emission standards that it follows include: air quality that executes the Level 2 standard of Ambient Air Quality standards (《環境空氣品質標準》) (GB3095-1996), exhaust emission that executes the Table 2 standard of Shandong Boiler Air Pollutant Emission Standards (《山東省鍋爐大氣污染物排放標準》) (DB37/2374-2013)and Table 2 standard of Shandong Industrial Furnace Air Pollutant Emission Standards (《山東省工業爐窯大氣污染物排放標準》) (DB37/2375-2013). The surface water environment quality that executes the Type V standard of Environmental Quality Standard for Surface Water (《地表水環境品質標準》) (GB3838-2002)and underground water quality that executes the Type Ⅲ standard of Environmental Quality Standard for Groundwater (《地下水品質標準》) (GB/T14848-93). The solid waste that executives the Standards for Pollution Control on General Industrial Solid Waste Sites (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and its amended standards as well as the Standards for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001) and its amended standards according to its different natures. The noise environment that executes the Type 2 standard of Environmental Quality Standard for Noise (《聲環境品質標準》) (GB3096-2008). The noise emission that executes the Type 2 standard of Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境雜訊排放標準》) (GB12348-2008).

Table of Pollutant Output and Emissions in 2016

Waste category	Waste description	Pollutant output(t)	Pollutant emission volume(t)	Emission per unit product (kg/t)
Waste gas	Soot dust	84	4.2	0.09
	Compound fertilizer dust	78	1.56	0.074
	Compound and mixed fertilizer dust	35	0.7	0.028
	SO2	56	8.2	0.18
	NOx	2.9	2.9	0.062
	Ammonia	0.75	0.4	0.0086
	Greenhouse gas(CO2)	6,108.63	6,108.63	131.37
Waste water	Spray waste water	600	0	0
	Boiler blow-off(and demineralized waste water)	4,030	4,030	86.67
	Domestic sewage	2,100	2,100	45.16
	COD	0.31	0.31	0.0067
	Ammonia and nitrogen	0.03	0.03	0.0006
General solid waste	Household garbage	35	35	0.75
	Precipitation chamber dust collection	110.74	0	0
	Boiler ash	450	0	0
	Hot blast furnace ash	30	0	0
	Residual sludge	20	0	0
	Waste packaging bags	0.15	0	0
Hazardous waste	Used engine oil	0.1	0.1	–
	Oily waste cloth and gloves	0.01	0.01	–

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

Measures and Results of the Reduction in Pollutant Emission (Output) in 2016				
Pollutants		Annual output(t)	Treatment measures and efficiency	Annual emissions(t)
Waste gas	Soot dust	84	Water film dust removal 95%	4.2
	SO2	56	Alkaline desulphurization 85%	8.2
	NOx	2.9	–	2.9
	Compound fertilizer dust	78	Precipitation chamber + alkaline spray	1.56
	Compound and mixed fertilizer dust	35	Precipitation chamber + whirlwind + spray	0.7
	Greenhouse gas(CO2)	6,108.63	–	6,108.63
Waste water	Spray waste water	600	Transport externally as agricultural fertilizers	0
	Boiler blow-off (and demineralized waste water)	4,030	Entrust Shandong Changle Salcon Raw Water Company Limited* (山東昌樂實康水業有限公司) to dispose of	4,030
	Domestic sewage	2,100		2,100
General solid waste	Household garbage	35	Environmental sanitation and clearing	0
	Precipitation chamber dust collection	110.74	Return to production system	0
	Boiler/Hot blast furnace ash	480	Export sales as building materials	0
	Residual sludge	20	Collect for external sales	0
	Waste packaging bags	0.15	Collect for external sales	0
Hazardous waste	Used engine oil	0.1	Entrust Zhucheng Oasis Renewable Resources Technology Co., Ltd. * (諸城市綠洲再生資源科技有限公司) to dispose of	0
	Oily waste cloth and gloves	0.01		0

According to the requirements of National Hazardous Waste Inventory (Order No.39 of the Ministry of Environmental Protection), from 1 August 2016 onwards, the treatment method of oily waste cloth is exempted and the treatment can be merged into household garbage for disposal purpose.

ENVIRONMENTAL PROTECTION *(continued)*

Use of resources

The major raw and auxiliary materials required for production in Shandong Hidersun are urea, mono-ammonium phosphate, KCl, potassium phosphate and fillers. The main energies are water, electricity and steam and it is used for incinerators production.

In order to reduce energy consumption in water, electricity and steam, Shandong Hidersun enhanced the utilization efficiency of water resources and conserved coal and electricity consumption effectively through formulating the systems that include the Rewards and Punishments Standards on Production Energy-Saving and Consumption-Reduction Indicators, Coal Consumption for Steam Generators Indicators, and Doing Minor Things Start from Me initiatives, such as the implementation of comprehensive utilization of demineralized waste water, electricity saving reformation and tower drainage system maintenance. Moreover, in order to reduce raw and auxiliary materials consumption, it formulated the directional control documents and systems including Product Quality Control and Its Standards, Rewards and Punishments Standards on Production Energy-Saving and Consumption-Reduction Indicators, and Rewards and Punishments Plan on Workshop Inventory Re-feeding according to the actual production plan and needs.

Information table of raw and auxiliary materials and energy consumption in 2016		
Major raw and auxiliary materials and energy	**Annual consumption (t)**	**Per unit product consumption (kg/t)**
Urea	14,155	304
Mono-ammonium phosphate	12,275	264
KCl	6,770	146
Potassium phosphate	8,650	186
Fillers	4,650	100
Packaging bags	140.9	3
Bituminous coal	2,290	142.06
Anthracite	200	9.43
Steam	16,120	346.7
Water	20,150	1250
Electricity	780,000 kwh	16.77

ENVIRONMENTAL PROTECTION *(continued)*

Use of resources *(continued)*

The total energy consumption including water, electricity and steam by Shandong Hidersun was reduced in 2016 through the implementation of certain energy-saving and consumption-reduction scheme, the main scheme adopted and the implementation effect are shown in the following table:

Implementation effect table of energy-saving and consumption-reduction scheme in 2016			
		Implementation effect	
Title of scheme	Scheme introduction	Environmental effect	Economic effect
Comprehensive utilization of demineralized waste water	Currently, Shandong Changle Salcon Raw Water Company Limited* (山東昌樂實康水業有限公司) was entrusted to treat the demineralized waste water, the demineralized water is cleaning sewage, which can be used for floor and equipment cleaning, saving fresh water	Reduced the discharge of 1000t/a waste water, lowered waste water treatment expenses of RMB3,000/year, and reduced COD emission of 0.05t/a	Saved water 1000t/a, economic effect is RMB4,000/year
Tower drainage system maintenance	Conducted repair and maintenance on the tower drainage system which has been used for several years	After emission ratio conversion, it can reduce soot dust emission of 0.024t/a, reduce SO2 emission of 0.16t/a, reduce NOx emission of 0.033t/a, and reduce greenhouse gas (CO2) emission of 59.92t/a	Saved steam of 100t/a, saved 28t/a in coal conversion, and saved expenses of RMB22,400/year
Electricity saving reformation	Promoted energy-saving lamps to enhance employees' awareness	Reduced greenhouse gas (CO2) emission of 15.2t/a	saved electricity energy of 20,000kwh/a, and benefits obtained is RMB17,000/year

Note: After the implementation of energy-saving and consumption-reduction scheme, total emission volume of greenhouse gas of the Company amounted to 6,033.51t/a, the emission volume of unit product was reduced to 129.75kg/t, representing a decrease rate of 1.23%.

ENVIRONMENTAL PROTECTION *(continued)*

Environment and Natural Resources

The Group has always been devoting to the development of the ecological fertilizer business, advocated energy-saving and environmentally-friendly, and proactive implementation of clean production, and adhered firmly to the principles of harmonious development of safety production and environmental protection. Although the business nature of the Group has no material impact on the environment and natural resources, the Group still continues to strengthen the environmental protection works, minimize the possible operation impact on environment on a best effort basis, and keep enhancing the operation standard of operators to ensure the reliable operation of equipment. Also, it will strengthen the technical management of energy-saving and consumption-reduction in terms of operation and increases its investments on environmental protection, so as to ensure the standard and stable operation of pollutants control facilities, and make efforts to construct the social development of blue sky and ocean.

Employment and Labour Practices

The Company is committed to creating a sound working environment for its employees and attaches importance to human resource works. It firmly believes that the realization and improvement of employee value would benefit the Company in accomplishing its overall objectives. The Company highly recognizes the contributions of employees for the growth of results of the Company, and offers skill training, career planning and development opportunities for employees, so as to provide them with humanistic care and develop a platform for employees to grow together and share the results with the Company.

Labour Standards

The Company offers job opportunities, remuneration, education, performance assessment and promotion based on the principle of fairness. It never discriminates any employee on grounds of gender, age, nationality, religion, culture and educational background, and strives to provide an equal development platform for all employees, protect the various lawful rights and interests of employees and creates a harmonious working environment. The Group strictly complies with the relevant government laws and regulations, all our businesses will not engage any child labour or forced labour. During the reporting period, there was no circumstance of breaching of related laws and regulations occurred in the Group.

Employment Policies

The Company considers the necessity of maintaining reasonable personnel structure and talents reserve in terms of its existing business and development perspectives, set qualifications and standards for different positions as the standards for recruitment. The recruitment channels of the Company include recruitment in schools, social recruitment and internal recommendation. Every applicant shall fulfill the educational background and professional skills requirements, and pass the corresponding interview. The Company upholds the principle of equality pay for equal work, also adheres to the concept of equality, voluntarily and consensus, and entered into written labour service contract with all employees. Employee remuneration is determined by reference to local market standard and his/her ability, qualifications and experience. Discretionary incentives would be granted according to individual performance during the year as a motivation for employees who made contributions to the Company. It also pays the pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund for employees according to government regulations.

ENVIRONMENTAL PROTECTION *(continued)*

Working Hours

The employee working hours of the Company are in compliance with the relevant requirements of the Labour Law of the PRC and Labour Contract Law of the PRC, it implements a system of 40 working hours per week, while production workers work and take rest on shifts. Employees are also entitled to rest days and statutory holidays as set forth by Labour Law.

Occupational Safety

The Group attaches importance to the occupational health and safety of employees, continues to conduct occupational safety training and enhances employee's consciousness on self-safety and self-protection. It conducts periodic identification on sources of danger and environmental factors to control dangerous factors, improves the safety of employees' working environment and prevents the occurrence of occupational diseases, endeavors to provide employees with a safe, healthy and secured working environment.

All the workshops in the Group provide labour protection gears for production workers to minimize hazards on employee health to the greatest extent. Meanwhile, the Group organizes irregular drills such as fire safety inspection, self-rescue and escapes each year, it also strengthens the training on employees on operation strictly according to production procedures, so as to enhance the safety consciousness and self-protection abilities, and avoid chances of accidents on employees during works. The Group organizes irregular physical examinations for employees, endeavors to improve employee working environment and facilities, and strives to provide all employees a warm and comfort working environment and safe production environment. Moreover, the Group has its own canteen in its working place, provides many varieties of nutritious and diversity healthy meals every day. It also provides night shift workers extra meal supplement.

Team Building

The management of the Company considers that the diversified employee structure is one of the important elements for maintaining the long term competitive advantage of the Company. It comprises employees of different gender, age, skills, educational background, industry experience and other qualities, so as to the balance the development talents structure of the Company.

As of 31 December 2016, the Group has 492 employees in total (excluding those under the labour system but include the employees in Tianjin Alpha), and the male and female ratio is 71:29. The management of the Company considers appropriate and reasonable turnover would bring new vitality to the Company and benefits the healthy and long-term development of the Company. During the period under review, the newly recruited employees of the Group were 76, with a recruitment rate of 15.5%. The number of employees resigned was 119, with a resignation rate of 24.2%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION *(continued)*

Team Building *(continued)*

The breakdown by age, years of service and educational background of the Company at different levels is as follows:

Age breakdown (Age)	25 and below	26-35	36-45	46-55	over 55	Total
Persons in charge of companies:	0	2	3	3	2	10
Persons in charge of departments:	0	12	9	5	0	26
General employees:	22	177	160	84	13	456
Total	**22**	**191**	**172**	**92**	**15**	**492**

Years of service structure (years)	Below 5	5-10	over 10	Total
Persons in charge of companies:	5	1	4	10
Persons in charge of departments:	6	16	4	26
General employees:	250	142	64	456
Total	**261**	**159**	**72**	**492**

Education background structure	Master degree And higher	Undergraduate	Junior college	High school and below	Total
Persons in charge of companies:	4	5	1	0	10
Persons in charge of departments:	0	11	11	4	26
General employees:	2	48	85	321	456
Total	**6**	**64**	**97**	**325**	**492**

Occupational Development

The Group values and respects talents, and selects and recruits talents in compliance with the normative and sound system to stimulate talents' growth potentials. We believe that employees will keep on growing along with the business expansion of the Group. The Group provides employees with targeted, systematic, prospective, multi-layered and multi-format trainings, for example, trainings of corporate cultures, guidelines and goals, safety production and mandatory pre-employment trainings for new staff; and also provides different aspects of trainings for on-job staff covering management, quality standards, skills and expansion, which will fully explore employees' potentialities to assist the sustainable development of the Group's business. During the period under review, through different forms of internal and external trainings, total training hours in the Group were 3,030 hours with 978 employee attendance in total at all levels. The training content mainly includes Listing Rules, system, skills, safety and other special trainings. With the continuous development of the Group, to ensure the constant improvement of team qualities, the Group will increase employees training opportunities, and keeps on review, inspects and improves training programmes in meeting the development needs of the business operation and employees.

ENVIRONMENTAL PROTECTION *(continued)*

Occupational Development *(continued)*

The Company's trainings categorized by level are as follows:

	Training Headcount	Average Training Hours (hour/person)	Total Training Hours (hour)
Principal of the Company	28	3.5	99
Head of Department	109	7.1	778
General employees	841	2.6	2,153
Total	**978**	**3.1**	**3,030**

Employee Benefits

The Group actively guarantees and maintains employees' rights and interests, and also pays attention to boost their sense of belongings, and focuses on the continuous improvements of employees' benefits. The Group contributes basic medical insurance to every employee and encourages them to enjoy statutory holidays that entitled. In addition, the Group also provides specific commercial insurance to complement the basic medical insurance when necessary, which will further enhance employees' medical benefits and forms a multi-layered medical health security system. At the same time, during the reporting period, the Group visited and condoled employees in distress and their relatives, and gave them care and help in forms of consolation moneys and gifts. Furthermore, the Group also endeavors to strike a balance between life and work for employees, provides employees with athletic grounds and entertainment facilities such as basketball courts, table tennis rooms, fitness facilities and multi-functional halls, and holds various activities irregularly. The Company also provides employees clean and comfortable reading rooms to enrich their cultural life. During the reporting period, the Group organized a variety of events, including basketball competitions, table tennis matches, funny sports galas, etc. These activities not only helped the employees to relieve stress and enjoy an enriched lifestyle, but also established a platform for employees to express themselves and communicate with one another.

Operation Practice

The Company strives to provide clients and consumers with quality and safe products and has gained good brand reputation and market credibility over the years. The Group places great emphasis on supply chain management from raw material procurements to finished goods production, and delivers products to customers and consumers through sales channels. We ensure the entire process is in compliance with the operating rules of the Company and legally operated to eradicate any behavior of corruption, bribery, fraud or dishonesty in a bid to strengthen our integrity.

ENVIRONMENTAL PROTECTION *(continued)*

Supply Chain Management

Facing with fierce market competition, the Group strengthens its management on procurement, production, circulation and consumption segments from the supply chain perspective, and regards coordination and distribution as its main forms to achieve high-efficient operation efficiency in logistics, cash flow and information flow.

At present, the Group mainly adopts push-forward supply chain management model during its production phase, which means we consider various factors in a whole and organize production to ensure final decision within a certain assured range in conformation with the market forecast in supply and demand. While we adopt driven-oriented supply chain management model during the sales stage, i.e. we organize production and delivery according to orders and demand from market and customers.

To ensure the supply quality of all raw materials, auxiliary materials and packaging materials, the Group conducts standardized management of material procurement and perfects its management system. The quality control department of the Group is responsible for monitoring and evaluating the supply quality from suppliers in the long term. If any significant changes in supplier qualification or serious quality problems are discovered, the Group will immediately cease the supply from them and arrange defective returns for materials with problems.

Product Liability

The Group has all along been placing great emphasis on product safety for a long period of time, including the biological compound fertilizers and medical health products. The Group is in strict compliance with the relevant state laws and regulations on product safety and advertisement publicity, including but not limited to Product Quality Law of the People's Republic of China, Metrology Law of the People's Republic of China, Advertising Law of the People's Republic of China and PRC Law on the Protection of Consumer Rights.

During the period under review, the Group mainly engaged in biological compound fertilizer products, and always adhered to the stringent product quality control and enjoyed sound reputation in the industry. The Group's product quality control is executed primarily in accordance with the relevant requirements under the ISO9001 quality management system and the product standards of the PRC National Standards – GB15063-2009 Compound Fertilizer (Complex Fertilizer) to ensure ex-factory products are in compliance with the quality requirements.

Consumer Services

Upholding the principle of honesty and trustworthiness, we endeavor to provide product information and a series of pre-sale, in sale and after-sale services to customers and consumers.

During the period under review, the Group thought highly of agrochemical services to consumers targeting at compound fertilizers to strengthen sales network and improve brand values. For pre-sale service, we focused on introducing various knowledges to customers and consumers including product performance, quality, effect, technology content and economic performance, and conducted soil formula testing on key regions or bases which implies providing scientific schemes of applying formula fertilizers under the guidance of agricultural technical staff to adjust and solve the conflicts between crop fertilizers and soil fertilizers. And for in-sale service, it mainly targeted at those contracted clients. We respect clients and offer proactive services, and designate a person in charge of contracts tracking until products delivery. For after-sale service, we not only guide clients and consumers to use fertilizers, but also provide targeted agriculture and fertilizer knowledge trainings. For the above services provided to consumers, especially during pre-sale and after-sale services, the "land experts hospital" established by the Group played a significant and important role.

ENVIRONMENTAL PROTECTION *(continued)*

Anti-Corruption

In strict compliance with national laws and regulations and its internal policies, the Group requires its employees abstaining from such misconducts as offering or accepting bribery and corruption in any circumstance. Any suspected criminal offence will be promptly whistle-blew and reported to relevant authorities.

The Group continues to improve its internal audit rules and regulations with an aim at strengthened internal supervision, risk management and anti-corruption management. An internal audit department has been established to oversee internal audit monitoring and internal control system building of the Group. To reduce operation and investment risks, the audit committee of the Board of the Company is also in place to exercise effective monitoring over the issues of the Group including financial incomes and expenses, budgets, final accounts, asset quality, and infrastructure projects as well as major technological research and development and other internal investments. The Company formulated the Risk Management and Internal Control System, and manages and controls all kinds of risks in the Group comprehensively, restrains any illegal operation behaviors such as bribery, fraud and corruption, which promotes the Group to run business according to laws.

Community Participation

For social public well-being and interests, the Company always remains committed to mission and vision of “Enthusiastic in public welfare, repaying the society”, and actively performs enterprise social responsibility and supports social public welfare. The management of the Company considers that it is not only an obligation for enterprises to engage in social welfare activities, but an essential condition for the growth and development path of enterprises. For a long period of time, with the effective integration of its business development with social responsibility, the Group extends active presence in public welfare activities under the motto of “Be Kind to the Society”. In recent years, the Group extends active presence in poverty relief and develops charitable activities to help the disadvantaged in the society, organizes a string of activities such as “Donate our Love”, through which we try our best to extend our helping hands and show our cares for the special needs, poverty-stricken regions, thereby repay the society with practical actions.

We know that with the changes in market competition layout and general escalation of social public consciousness, the Company will face much more challenges in its self-development and social responsibility, and still have a lot of room to improve and perfect ourselves. In 2017, we will integrate the ESG management more profoundly into our daily works. We will also constantly improve the management mechanism, and let the ESG practices run through every segment of the Group, which will gradually establish the regulated and normalized ESG performance indicator and information communication systems. We will keep on strengthening the communications with stakeholders and let our enterprise and stakeholders develop altogether. We will also create more values to stakeholders and realize the quality, environment and safety management systematization, normalization and standardization. In the future operation management, we will continue to follow the relevant requirements, further enhance regulated management, constantly promote management quality and efficiency and focus on energy-saving and consumption-reduction and employees’ health and safety, thereby contributing actively to the Company and the society in synergetic development.

INDEPENDENT AUDITOR'S REPORT

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永安中心25樓

TO THE SHAREHOLDERS OF
TIANJIN TEDA BIOMEDICAL ENGINEERING COMPANY LIMITED
(天津泰達生物醫學工程股份有限公司)
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 61 to 118, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Impairment assessment of trade receivables

Refer to note 19 in the Group's consolidated financial statements.

The Group has trade receivables of approximately RMB47.1 million relating to a number of independent customers that were past due as at balance sheet date. There is a risk that the carrying amount of such trade receivables may be impaired.

Management has recognised a provision for impairment of trade receivables of approximately RMB7.9 million based on individual assessments of customers that were in financial difficulty or had prolonged delays in settlement. The remaining past due trade receivables of approximately RMB39.2 million were due from a number of independent customers that have a good track record with the Group. These conclusions were based on management's judgement and estimates for the outstanding past due trade receivables that were expected to be recoverable. Such judgements and estimates will impact the carrying amount of trade receivables.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of trade receivables included:

- understanding and assessing the reasonableness of judgements and assumptions made by management in determining the impairment provision;
- test checking the accuracy of the ageing of trade receivables;
- understanding and examining large individual aged trade receivables, understanding the underlying reasons of management's provision by reference to their payment patterns and other available information;
- assessing the trade receivable turnover days against major credit terms provided to customers and reviewing their payment history; and
- checking settlement after the year end on past due trade receivables.

KEY AUDIT MATTERS *(continued)*

Impairment assessment of prepayments and other receivables

Refer to note 20 in the Group's consolidated financial statements.

The Group has paid advanced deposits to an independent third party supplier of approximately RMB69.0 million, which included in prepayments and other receivables. The balance increased to RMB69.0 million at the year end date compared to RMB29.0 million last year. There is a risk that the carrying amount of such advanced deposits may be impaired.

Management has performed impairment assessment on the advanced deposits by reference to the future utilisation based on the purchase plan. Management also assessed the financial ability of the supplier as to ensure the supplier is able to repay the exceeded deposit, if any, in case of the purchase plan cannot be met. Management concluded that no provision for impairment is required for the advanced deposits to suppliers. This conclusion was based on management's judgements and estimates in preparing the purchase plan, such judgements and estimates will impact the carrying amount of the advanced deposits.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of advanced deposit to suppliers included:

- understanding and assessing the reasonableness of assumptions made by management in preparing the purchase plan;
- understanding and examining the purchase plan and the utilisation pattern;
- test checking the utilisation during the year and subsequent to year end date by inspecting the delivery documents; and
- checking repayment after the year end from supplier for exceeded deposits.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lam Pik Wah
Practising Certificate Number P05325

Hong Kong, 15 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB	2015 RMB
Continuing operation			
Revenue	7	**389,278,236**	501,589,528
Cost of sales		**(310,472,561)**	(404,868,747)
Gross profit		**78,805,675**	96,720,781
Other income and gains/(losses), net	8	**871,180**	(350,981)
Selling and distribution costs		**(20,495,906)**	(23,514,871)
Administrative expenses		**(30,739,780)**	(21,507,630)
Research and development expenses		**(11,499,384)**	(15,416,009)
Finance costs	9	**(3,580,769)**	(4,657,425)
Gain on deemed disposal of an associate	16	**–**	686,067
Share of loss of an associate	16	**(3,915,132)**	(10,870)
Profit before income tax expense	9	**9,445,884**	31,949,062
Income tax expense	11	**(4,496,331)**	(4,502,496)
Profit for the year from continuing operation		**4,949,553**	27,446,566
Discontinued operation			
Loss for the year from discontinued operation	10	**–**	(4,496,403)
Profit and total comprehensive income for the year		**4,949,553**	22,950,163
Attributable to:			
Owners of the Company			
– Profit for the year from continuing operation		**5,970,713**	27,164,413
– Loss for the year from discontinued operation		**–**	(1,599,901)
Profit for the year attributable to owners of the Company		**5,970,713**	25,564,512
Non-controlling interests			
– (Loss)/profit for the year from continuing operation		**(1,021,160)**	282,153
– Loss for the year from discontinued operation		**–**	(2,896,502)
Loss for the year attributable to non-controlling interests		**(1,021,160)**	(2,614,349)
		4,949,553	22,950,163
Earnings per share			
From continuing and discontinued operation	13		
– Basic and diluted		**0.37 cents**	1.66 cents
From continuing operation	13		
– Basic and diluted		**0.37 cents**	1.76 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB	2015 RMB
Non-current assets			
Property, plant and equipment	15	**63,954,656**	70,715,068
Interest in an associate	16	**16,760,065**	20,675,197
Prepaid land lease payments	17	**8,043,528**	8,233,355
Total non-current assets		**88,758,249**	99,623,620
Current assets			
Inventories	18	**68,465,182**	90,377,523
Trade and bills receivables	19	**89,830,445**	78,395,214
Prepayments and other receivables	20	**116,116,280**	79,562,058
Amount due from an associate	21	**10,714,166**	4,909,468
Cash and bank balances	22	**85,743,326**	105,637,380
Total current assets		**370,869,399**	358,881,643
Total assets		**459,627,648**	458,505,263
Current liabilities			
Trade payables	23	**15,998,214**	24,747,935
Other payables and accruals	24	**26,837,855**	17,472,089
Financial liabilities	25	**25,389,100**	24,145,000
Current tax liabilities		**2,019,285**	2,706,598
Bank borrowings	26	**40,000,000**	45,000,000
Total current liabilities		**110,244,454**	114,071,622
Net current assets		**260,624,945**	244,810,021
Total assets less current liabilities		**349,383,194**	344,433,641
NET ASSETS		**349,383,194**	344,433,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB	2015 RMB
Capital and reserves attributable to owners of the Company			
Share capital	27	**159,500,000**	159,500,000
Reserves		**166,407,671**	160,436,958
Equity attributable to owners of the Company		**325,907,671**	319,936,958
Non-controlling interests	29	**23,475,523**	24,496,683
TOTAL EQUITY		**349,383,194**	344,433,641

On behalf of the Board

Sun Li
Director

Hao Zhihui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital Note 27 RMB	Share premium Note 30(i) RMB	Surplus reserve Note 30(ii) RMB	Capital reserve Note 30(iii) RMB	Other reserve Note 30(v) RMB	(Accumulated losses)/ retained earnings Note 30(iv) RMB	Attributable to owners of the Company RMB	Non-controlling interests Note 29 RMB	Total RMB
Balance as at 1 January 2015	142,000,000	75,816,410	6,831,045	2,541,404	(22,032,403)	(7,135,471)	198,020,985	45,676,631	243,697,616
Profit and total comprehensive income for the year	–	–	–	–	–	25,564,512	25,564,512	(2,614,349)	22,950,163
Deemed disposal of interests in a subsidiary (Note 28)	–	–	(3,113,349)	–	–	3,113,349	–	(18,565,599)	(18,565,599)
Issue of new shares	17,500,000	78,851,461	–	–	–	–	96,351,461	–	96,351,461
Balance as at 31 December 2015	159,500,000	154,667,871	3,717,696	2,541,404	(22,032,403)	21,542,390	319,936,958	24,496,683	344,433,641
Profit and total comprehensive income for the year	–	–	–	–	–	5,970,713	5,970,713	(1,021,160)	4,949,553
Balance as at 31 December 2016	159,500,000	154,667,871	3,717,696	2,541,404	(22,032,403)	27,513,103	325,907,671	23,475,523	349,383,194

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB	2015 RMB
Cash flows from operating activities			
Profit before income tax expense		**9,445,884**	31,949,062
Loss before tax from discontinued operation		**–**	(4,496,403)
		9,445,884	27,452,659
Adjustments for:			
Amortisation of prepaid land lease payments		**189,827**	189,827
Depreciation		**8,673,011**	10,647,583
Interest expense		**3,580,769**	6,859,508
Interest income		**(374,159)**	(262,403)
Provision for/(reversal of) bad debt of trade and other receivables		**3,515,611**	(217,213)
Provision for obsolete stock, net		**596,717**	426,839
Gain on disposal of property, plant and equipment		**(90,968)**	(45,087)
Gain on deemed disposal of a subsidiary		**–**	(1,560,249)
Gain on deemed disposal of an associate		**–**	(686,067)
Share of loss of an associate		**3,915,132**	10,870
Operating cash flows before working capital changes		**29,451,824**	42,816,267
Decrease in inventories		**21,315,624**	38,163,599
Increase in trade and bills receivables		**(14,948,118)**	(35,158,528)
Increase in prepayments and other receivables		**(36,340,205)**	(50,593,912)
Decrease in trade payables		**(8,749,722)**	(6,168,644)
Increase/(decrease) in other payables and accruals		**9,377,639**	(6,564,589)
Cash generated from/(used in) operations		**107,042**	(17,505,807)
Income tax paid		**(5,183,644)**	(9,121,500)
Interest paid		**(2,360,432)**	(5,177,862)
Net cash used in operating activities		**(7,437,034)**	(31,805,169)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,453,751)**	(7,214,817)
Proceeds from disposal of property, plant and equipment		**427,270**	459,653
Increase in amount due from an associate		**(5,804,698)**	–
Deemed disposal of a subsidiary upon lost of control	28	**–**	(2,500,128)
Interest received		**374,159**	262,403
Net cash used in investing activities		**(7,457,020)**	(8,992,889)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB	2015 RMB
Cash flows from financing activities			
New bank borrowings		**40,000,000**	63,300,000
Repayment of bank borrowings		**(45,000,000)**	(85,600,000)
Proceed from issue of new shares		**–**	96,351,461
Capital injection from shareholders of subsidiary		**–**	24,000,000
Net cash (used in)/generated from financing activities		**(5,000,000)**	98,051,461
Net (decrease)/increase in cash and cash equivalents		**(19,894,054)**	57,253,403
Cash and cash equivalents at beginning of year		**105,637,380**	48,383,977
Cash and cash equivalents at end of year		**85,743,326**	105,637,380
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	22	**85,743,326**	105,637,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE INFORMATION

Tianjin TEDA Biomedical Engineering Company Limited (the "Company") is a joint stock company established on 8 September 2000 in the People's Republic of China ("PRC") with limited liability and its H shares were listed on the Hong Kong Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM") on 18 June 2002.

Pursuant to the announcement dated on 30 September 2015, the Company together with other equity holders of Tianjin Alpha HealthCare Products Co., Ltd. ("Tianjin Alpha") entered into a capital increase agreement in June 2015 with seven independent individual third parties (the "Investors"). Pursuant to the agreement, the Investors agreed to make capital contribution of RMB14 million (the "Capital Contribution") to Tianjin Alpha. After the Capital Contribution, the Company's equity interest in Tianjin Alpha reduced from 50.16% to 38.84%. The Company also entered supplement agreement (the "Supplement Agreement") with Tianjin Jinnasen Technology Development Co., Ltd. ("Jinnasen"), the other existing equity holder of Tianjin Alpha, and Jinnasen warranted to act according to the decision of the Company in voting at equity holders' and management meeting of Tianjin Alpha up to 30 September 2015. The Company therefore was able to exercise control of Tianjin Alpha with holding of less than 50% equity interests until 30 September 2015. Tianjin Alpha therefore remained as a subsidiary of the Company up to 30 September 2015 and became an associate of the Group upon the expiry of the Supplement Agreement.

The Company and its subsidiaries (hereafter referred to as the "Group") principally engages in manufacturing and sale of biological compound fertiliser products and health care products – discontinued operation. The principal activities and other particulars of the subsidiaries are set out in Note 36 to the consolidated financial statements. The address of its registered office and principal place of business is disclosed in the "Corporate Information" section to the annual report.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – Effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Consolidated financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their consolidated financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(a) Adoption of new/revised HKFRSs – Effective 1 January 2016 *(continued)*

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these consolidated financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 27 – Equity Method in Separate Consolidated financial statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate consolidated financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these consolidated financial statements as the Company has not elected to apply the equity method in its separate consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares consolidated financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these consolidated financial statements as the Company is neither an intermediate parent entity nor an investment entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

HKFRS 15 – Revenue from Contracts with Customers (continued)

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group has already commenced an assessment of the impact of adopting the above new/revised HKFRSs and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and each of the group's subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and basis of consolidation *(continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment, other than construction in progress, are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Buildings	5% – 20%
Other structures and improvements	5% – 20%
Plant and machinery	5% – 20%
Motor vehicles	12.5% – 20%
Furniture, fixtures and equipment	8% – 20%

Construction in progress represents building, plant and machinery and other property, plant and equipment under construction is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(f) Research and development costs

Research and development costs is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and,
- expenditure on the project can be measured reliably.

Research and development costs not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(g) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, prepaid land lease payments and the Company's investment in subsidiaries and an associate to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale. Provision is made for obsolete, slow moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(i) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(ii) Impairment loss on financial assets (continued)

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

An impairment loss is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities include trade and other payables, other financial liabilities and borrowings; and are initially measured at fair value, net of directly attributable costs incurred.

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

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4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(n) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(o) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Foreign currencies *(continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate consolidated financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes.

(i) Revenue from the sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(ii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Pension obligations

The Group pays contributions to defined contribution plans, being publicly administered pension insurance plans on mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(r) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

The Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provision for slow-moving inventories

Provision for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the provision amount required involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charged/written back in the period in which the estimate has been changed.

(b) Impairment of trade receivables, prepayments and other receivables

Impairment is made based on assessment of the recoverability of trade receivables, prepayments and other receivables. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade receivables, prepayments and other receivables and impairment made/reversed in the period in which the estimate has been changed.

(c) Taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

No deferred tax asset in relation to unused tax losses and deductible temporary differences has been recognised in the consolidated statement of financial position. In case where taxable future profits are generated, an understatement of current year accounting profit due to the unrecognised deferred tax asset may arise, which deferred tax asset would be recognised in the statement of profit or loss and other comprehensive income for the period in which such event takes place.

6. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting, in accordance with the Group's internal organisation and reporting structure, provided to the chief operating decision-maker to make strategic decisions.

For the year ended 31 December 2016, there is only one business component in the internal reporting to the executive directors, which is manufacturing and sales of biological compound fertiliser products. The Group's assets and capital expenditure are principally attributable to this business component.

For the year ended 31 December 2015, the Group has two reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Continuing operation

- Fertiliser products – Manufacturing and sale of biological compound fertiliser products

Discontinued operation

- Health care products – Manufacturing and sale of health care products

(a) Segment revenue and results

For the year ended 31 December 2015:

	Continuing Operation Fertiliser products RMB	Discontinued Operation Health care products RMB	Total RMB
Revenue to external customers	501,589,528	57,449,705	559,039,233
Segment profit/(loss) before income tax expense	31,949,062	(4,496,403)	27,452,659

6. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment as at 31 December 2015:

	2015 RMB
Segment assets	
Fertiliser products (Continuing operation)	457,480,104
Health care products (Discontinued operation)	–
Segment assets	457,480,104
Unallocated	1,025,159
Consolidated total assets	458,505,263

The unallocated assets represented the corporate assets of the Company.

	2015 RMB
Segment liabilities	
Fertiliser products (Continuing operation)	109,435,450
Health care products (Discontinued operation)	–
Segment liabilities	109,435,450
Unallocated	4,636,172
Consolidated total liabilities	114,071,622

The unallocated liabilities represented the corporate payables of the Company.

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6. SEGMENT INFORMATION *(continued)*

(c) Other segment information included in segment profit or segment assets

For the year ended 31 December 2015

	Continuing Operation Fertiliser products RMB	Discontinued Operation Health care products RMB	Total RMB
Interest income	251,426	10,977	262,403
Finance costs	2,952,016	2,202,083	5,154,099
Income tax expense	4,502,496	–	4,502,496
Amortisation of prepaid land lease payments	189,827	–	189,827
Depreciation	8,203,299	2,444,284	10,647,583
Provision for/(reversal of) bad debt of trade and other receivables, net	293,855	(511,068)	(217,213)
Provision for obsolete stock, net	426,839	–	426,839
Additions to non-current assets	7,591,956	1,178,832	8,770,788
Gain/(loss) on disposal of property, plant and equipment	301,876	(256,789)	45,087

(d) Geographical information and major customers

The Group's revenue from external customers is derived solely from its operations in the PRC, where all its non-current assets are located. Revenue attributable from a customer accounted for more than 10% of the Group during the year is presented in Note 20(i).

7. REVENUE

Revenue, which is also the Group's revenue, represents the invoiced value of goods sold to customers after any allowance and discounts and is analysed as follows:

	2016 **RMB**	2015 RMB
Continuing operation		
Fertiliser products	**389,278,236**	501,589,528
Discontinued operation		
Health care products	**–**	57,449,705
	389,278,236	559,039,233

8. OTHER INCOME AND GAINS/(LOSSES),NET

	2016 **RMB**	2015 RMB
Continuing operation		
Gain on disposal of property, plant and equipment	**90,968**	301,876
Government grants (Note)	**423,891**	360,500
Bank interest income	**374,159**	251,426
Others	**(17,838)**	(753,296)
	871,180	160,506
Less: Business tax	**–**	(511,487)
	871,180	(350,981)

Note: Government grants mainly represent subsidies granted by the PRC Government to subsidiaries of the Group on the research and development of compound fertilisers. The subsidies were recognised in profit or loss only when the research and development has been completed and fulfilled the criteria set by the PRC Government.

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9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging:

	2016 RMB	2015 RMB
Continuing operations		
Finance costs		
Interest expense on bank borrowings	2,336,669	2,952,016
Interest expense on financial liabilities	1,244,100	1,705,409
	3,580,769	4,657,425
Auditor's remuneration	1,324,774	1,131,736
Research and development expenses	11,499,384	15,416,009
Cost of inventories recognised as expense	310,472,561	404,868,747
Depreciation on property, plant and equipment	8,673,011	8,203,299
Amortisation of prepaid land lease payments	189,827	189,827
Allowance for impairment losses on (net):		
– Trade receivables	3,512,887	146,785
– Other receivables	2,724	147,070
Operating lease rentals:		
– land and buildings	738,123	1,056,965
– equipment	512,820	570,940
Employee costs (including emoluments of directors and supervisors):		
– Salaries and allowances	21,961,270	22,468,667
– Pension fund contribution	2,685,076	2,641,085
	24,646,346	25,109,752

10. DISCONTINUED OPERATION

The Group reduced its equity interests of Tianjin Alpha from 50.16% to 38.84% after the Capital Contribution set out in the announcement of the Company dated 30 September 2015. Tianjin Alpha ceased to be a subsidiary of the Company on 1 October 2015 and constituted a deemed disposal of interests in subsidiary (Note 28).

Tianjin Alpha becomes an associate of the Group since 1 October 2015 as the Company is able to exercise significant influence in Tianjin Alpha (Note 16).

The sales, results, cash flows and net assets of Tianjin Alpha were as follows:

	Note	9 months to 30 September 2015 RMB
Turnover		57,449,705
Expenses		(63,506,357)
Loss before tax		(6,056,652)
Income tax expense		–
		(6,056,652)
Gain on deemed disposal of a subsidiary	28	1,560,249
Loss from the period from discontinued operation		(4,496,403)
Net cash outflows from operating activities		(9,510,981)
Net cash outflows from investing activities		(1,090,457)
Net cash outflows from financing activities		(1,000,000)
Net cash flows incurred by the discontinued operation		(11,601,438)

The carrying amounts of the assets and liabilities of Tianjin Alpha at the date of deemed disposal is disclosed in note 28 to the consolidated financial statements.

A gain of RMB1.6 million arose on the deemed disposal of Tianjin Alpha, being the difference between fair value of interest retained and the previous carrying amount of Tianjin Alpha's net assets (including goodwill) and the non-controlling interests.

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11. INCOME TAX EXPENSE

(a) The amount of taxation in the consolidated statement of comprehensive income represents:

	2016 RMB	2015 RMB
Continuing operation		
Current tax		
– tax for the year	**4,247,558**	4,579,994
– under/(over) provision in respect of prior years	**248,773**	(77,498)
	4,496,331	4,502,496

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25% (2015: 25%), except for the following subsidiary.

High and New-Tech enterprise certificate was issued on 10 October 2014 and lasts for 3 years, which Guangdong Fulilong Compound Fertilisers Co., Ltd. is recognised as a High and New-Tech enterprise according to the PRC tax regulations and is entitled to a preferential tax rate of 15% (2015: 15%).

The income tax expense for the year can be reconciled to the Group's profit before income tax expense as follows:

	2016 RMB	2015 RMB
Profit before income tax expense		
Continuing operations	**9,445,884**	31,949,062
Discontinued operations	**–**	(4,496,403)
	9,445,884	27,452,659
Calculated at statutory rate of 25% (2015: 25%)	**2,361,471**	6,863,165
Tax effect of share of loss of an associate	**978,783**	2,718
Tax effect of non-taxable items	**–**	(689,346)
Tax effect of expenses not deductible for taxation purposes	**1,097,004**	234,470
Tax effect on unused tax losses not recognised	**3,715,090**	1,675,359
Tax rate differential and preferential tax treatment	**(4,126,921)**	(3,765,109)
Under/(over) provision in prior years	**248,773**	(77,498)
Others	**222,131**	258,737
Income tax expense	**4,496,331**	4,502,496

11. INCOME TAX EXPENSE *(continued)*

(b) Deferred taxation

At 31 December 2016, the Group has unused tax losses of RMB17.5 million (2015: RMB2.8 million) that are available for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses can be carried forward for 5 years. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

12. DIVIDEND

No dividend has been paid nor declared by the Company during the year (2015: Nil).

13. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2016 **RMB**	2015 RMB
Earnings from continuing and discontinued operations		
Earnings for the purpose of basic and diluted earnings per share	**5,970,713**	25,564,512
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,595,000,000**	1,542,260,274

From continuing operation

The calculation of the basic and diluted earnings per share from continuing operation attributable to the owners of the Company is based on the following data:

	2016 **RMB**	2015 RMB
Profit for the year attributable to owners of the Company	**5,970,713**	25,564,512
Add: Loss for the year from discontinued operation	**–**	1,599,901
Earnings for the purpose of basic and diluted earnings per share from continuing operation	**5,970,713**	27,164,413
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,595,000,000**	1,542,260,274

From discontinued operations

Basic and diluted loss per share for the discontinued operation is RMB0.10 cents per share for the year ended 31 December 2015, based on the loss for the year from the discontinued operations of RMB1,599,901 for the year ended 31 December 2015 and the denominators detailed above for both basic and diluted losses per share.

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14. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors' and supervisors' emoluments

The aggregate amounts of emoluments payable to directors and supervisors of the Company during the year are as follows:

	2016 RMB	2015 RMB
Fees	**309,315**	310,351
Salaries and other benefits	**2,013,340**	1,592,340
Retirement benefits scheme contributions	**225,690**	285,828
	2,548,345	2,188,519

Details of emoluments of individual directors and supervisors are set out below.

Executive directors:

The emoluments paid to executive directors during the year are as follows:

	Fees emoluments RMB	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2016				
Ms Sun Li (i)	**–**	**616,052**	**4,598**	**620,650**
Mr Wang Shuxin (ii)	**–**	**616,052**	**82,264**	**698,316**
Mr Hao Zhihui	**–**	**590,537**	**82,264**	**672,801**
Mr Liu Renmu (iii)	**–**	**–**	**–**	**–**
	–	**1,822,641**	**169,126**	**1,991,767**
2015				
Ms Sun Li (i)	–	190,246	–	190,246
Mr Wang Shuxin	–	617,552	115,321	732,873
Mr Hao Zhihui	–	592,037	112,945	704,982
Mr Chen Yingzhong (iv)	–	–	–	–
	–	1,399,835	228,266	1,628,101

14. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES *(continued)*

(a) Directors' and supervisors' emoluments *(continued)*

Non-executive directors:

The fees paid to non-executive directors during the year are as follows:

	2016 RMB	2015 RMB
Mr Feng Enqing	–	41,355
Mr Xie Guangbei (v)	–	41,355
Mr Ou Linfeng (vi)	41,355	–
Mr Chen Yingzhong (i)	–	–
Mr Liu Renmu (iii)	–	–
Mr Li Ximing (vii)	–	–
	41,355	82,710

Independent non-executive directors:

The fees paid to independent non-executive directors during the year are as follows:

	2016 RMB	2015 RMB
Mr Guan Tong (ii)	41,355	41,355
Mr Chan Kin Sang (ii)	155,250	144,931
Mr Wu Chen (ii)	41,355	41,355
Mr Li Xudong (vii)	–	–
Mr Duan Zhongpeng (vii)	–	–
Ms Gao Chun (vii)	–	–
	237,960	227,641

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14. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES *(continued)*

(a) Directors' and supervisors' emoluments *(continued)*

Supervisors:

The emoluments paid to supervisors during the year are as follows:

	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2016			
Ms Yang Chunyan	**97,404**	**29,106**	**126,510**
Ms Liu Jinyu	**93,296**	**27,458**	**120,754**
	190,700	**56,564**	**247,264**
2015			
Ms Yang Chunyan	87,804	29,620	117,424
Ms Liu Jinyu	94,700	27,943	122,643
	182,504	57,563	240,067

Independent supervisors:

The fees paid to independent supervisors during the year are as follows:

	2016 RMB	2015 RMB
Mr Gao Xianbiao (ii)	**–**	–
Mr Liang Weitao (i)	**30,000**	10,000
Mr Zhao Kuiying (v)	**–**	–
Ms Feng Ling (vii)	**–**	–
	30,000	10,000

(i) Appointed on 20 August 2015
(ii) Retired on 31 December 2016
(iii) Appointed on 14 October 2016 and relocated as an executive director on 1 January 2017
(iv) Resigned on 20 August 2015
(v) Resigned on 30 June 2015
(vi) Resigned on 9 August 2016
(vii) Appointed on 1 January 2017

14. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES *(continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group included three and three executive directors for the years ended 31 December 2016 and 2015 respectively, whose emoluments are reflected in note (a).

The analysis of the emoluments of the remaining two and two highest paid individuals for the years ended 31 December 2016 and 2015 respectively, are set out below:

	2016 RMB	2015 RMB
Salaries and other benefits	**252,654**	239,632
Retirement benefits scheme contributions	**29,106**	27,943
Salaries, housing and other allowances	**281,760**	267,575

The number of the highest paid individuals, including executive directors, whose remuneration fell within the following band is as follows:

	Number of individuals	
	2016	2015
Nil – RMB895,200 (2015: RMB803,200) (equivalent to Nil – HK$1,000,000)	**5**	5

(c) During the year, no emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

None of the directors and supervisors waived any emoluments during the year (2015: Nil).

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15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Other structures and improvements RMB	Plant and machinery RMB	Motor vehicles RMB	Furniture, fixtures and equipment RMB	Construction in progress RMB	Total RMB
Cost							
At 1 January 2015	44,897,906	26,747,256	58,766,883	11,503,302	6,464,015	7,621,899	156,001,261
Additions	–	4,805,078	1,309,408	1,349,479	311,696	995,127	8,770,788
Transfers	3,251,415	2,024,649	–	–	–	(5,276,064)	–
Disposals	–	–	(2,975,086)	(1,040,707)	(80,540)	–	(4,096,333)
Disposal of a subsidiary	–	(18,095,286)	(6,548,175)	(3,019,942)	(1,818,743)	(1,335,556)	(30,817,702)
At 31 December 2015	48,149,321	15,481,697	50,553,030	8,792,132	4,876,428	2,005,406	129,858,014
Additions	–	6,500	591,027	–	135,744	1,720,481	2,453,752
Transfers	441,415	–	309,231	–	–	(750,646)	–
Disposals	–	–	–	(1,502,002)	–	–	(1,502,002)
At 31 December 2016	48,590,736	15,488,197	51,453,288	7,290,130	5,012,172	2,975,241	130,809,764
Accumulated depreciation							
At 1 January 2015	9,414,043	2,396,894	34,897,873	6,655,660	4,455,171	1,810,336	59,629,977
Charge for the year	1,006,996	2,497,465	5,335,326	1,349,672	458,124	–	10,647,583
Written back on disposals	–	–	(2,651,741)	(959,219)	(70,807)	–	(3,681,767)
Eliminated on disposals of a subsidiary	–	(1,808,427)	(2,299,327)	(1,964,407)	(1,380,686)	–	(7,452,847)
At 31 December 2015	10,421,039	3,085,932	35,282,131	5,081,706	3,461,802	1,810,336	59,142,946
Charge for the year	1,820,309	632,341	4,896,747	970,569	353,045	–	8,673,011
Written back on disposals	–	–	–	(960,849)	–	–	(960,849)
At 31 December 2016	12,241,348	3,718,273	40,178,878	5,091,426	3,814,847	1,810,336	66,855,108
Carrying amount							
At 31 December 2016	36,349,388	11,769,924	11,274,410	2,198,704	1,197,325	1,164,905	63,954,656
At 31 December 2015	37,728,282	12,395,765	15,270,899	3,710,426	1,414,626	195,070	70,715,068

Note:

(i) At 31 December 2016, the carrying amount of property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to approximately RMB49 million (2015: RMB24 million) (Note 26).

16. INTEREST IN AN ASSOCIATE

	2016 RMB	2015 RMB
Cost of unlisted investment in an associate		
Unlisted investments	**20,000,000**	20,000,000
Gain on deemed disposal	**686,067**	686,067
Share of post-acquisition loss	**(3,926,002)**	(10,870)
	16,760,065	20,675,197

Details of the Group's associate is as follows:

	Form of business structure	Place of incorporation	Attributable equity interest held by the Group	Place of operation and principal activities
Tianjin Alpha Health Care Products Co., Ltd.* ("Tianjin Alpha")	Corporation	PRC	33.66%	Manufacturing and sale of sugar-reducing and sugar-free health care products in the PRC

Note:

Tianjin Alpha ceased to be a subsidiary of the Group and becomes an associate of the Group since 1 October 2015, which the Group is able to exercise significant influence over Tianjin Alpha with holding of equity interests of 38.84%.

The recognition of the Company's interest in Tianjin Alpha as an associate is initially measured at its fair value, which is based on valuation report conducted by an independent professional valuer – BMI Appraisals Limited.

During the year ended 31 December 2015, the Company together with other equity holders of Tianjin Alpha entered into a capital increase agreement with an independent third party (the "Investor"), which the Investor agreed to inject an aggregate amount of RMB10 million to Tianjin Alpha, and the Company's equity interests in Tianjin Alpha is further reduced from 38.84% to 33.66%.

Subsequent to the year end date of 31 December 2016, the Company's equity interests in Tianjin Alpha is further reduced from 33.66% to 27.76% due to injection of capital by 3 independent third parties in an aggregate amount of RMB17 million to Tianjin Alpha on 13 January 2017.

* English translation is for identification purpose only

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16. INTEREST IN AN ASSOCIATE *(continued)*

The summarised financial information in respect of the Group's associate is set out below:

	2016 RMB	2015 RMB
As at 31 December		
Current assets	**83,577,557**	82,658,511
Non-current assets	**22,511,852**	22,955,795
Current liabilities	**59,919,090**	47,812,580
Non-current liabilities	**–**	–
Year ended 31 December		
Revenue	**63,599,793**	75,868,793
Loss from continued operations	**–**	4,496,403
The Group's share of loss of an associate for the year	**3,915,132**	10,870

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016	2015
Proportion of the Group's interest in the associate	**33.66%**	33.66%

	2016 RMB	2015 RMB
Group's share of net assets of the associate	**15,540,929**	19,456,061
Fair value adjustment	**533,069**	533,069
Gain on deemed disposal	**686,067**	686,067
Carrying amount of the Group	**16,760,065**	20,675,197

17. PREPAID LAND LEASE PAYMENTS

	2016 RMB	2015 RMB
Cost		
At 1 January and 31 December	**9,418,796**	9,418,796
Accumulated amortisation and impairment		
At 1 January	**995,614**	805,787
Charge for the year	**189,827**	189,827
At 31 December	**1,185,441**	995,614
Carrying amount		
At 31 December	**8,233,355**	8,423,182
Portion classified as current assets (included in prepayments and other receivables)	**189,827**	189,827
Non-current assets	**8,043,528**	8,233,355
	8,233,355	8,423,182

Note:

The Group is in process of applying for the certificates of certain prepaid land lease payments.

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18. INVENTORIES

	2016 RMB	2015 RMB
Raw materials	**34,856,542**	39,494,941
Finished goods	**24,515,140**	39,890,265
Packaging materials	**12,094,148**	13,396,248
	71,465,830	92,781,454
Less: Provision for inventory obsolescence	**(3,000,648)**	(2,403,931)
	68,465,182	90,377,523

At 31 December 2016, inventories pledged as security for certain of the Group's banking facilities amounted to approximately RMB23 million (2015: RMB23 million) (Note 26).

19. TRADE AND BILLS RECEIVABLES

	2016 RMB	2015 RMB
Trade receivables (i)	**97,529,876**	82,781,758
Less: Allowance for doubtful debts (ii)	**(7,899,431)**	(4,386,544)
	89,630,445	78,395,214
Bills receivables	**200,000**	–
	89,830,445	78,395,214

19. TRADE AND BILLS RECEIVABLES *(continued)*

Notes:

(i) The Group generally grants credit terms of 120 days to major customers and 90 days to other trade customers.

The following is an ageing analysis of trade receivables at the end of the reporting periods:

	2016 RMB	2015 RMB
Within 3 months	42,663,969	37,060,619
More than 3 to 6 months	23,245,492	27,145,048
More than 6 to 12 months	18,876,486	11,519,209
Over 1 year	12,743,929	7,056,882
	97,529,876	82,781,758

(ii) The movements in allowance for doubtful debts during the year are as follows:

	2016 RMB	2015 RMB
At 1 January	4,386,544	7,075,103
Allowance for impairment loss recognised, net (Note 9)	3,512,887	146,785
Eliminated on deemed disposal of a subsidiary	–	(2,835,344)
At 31 December	7,899,431	4,386,544

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB7.9 million (2015: RMB4.4 million) with a carrying amount before provision of RMB7.9 million (2015: RMB4.4 million). The Group recognised impairment loss on individual assessment related to customers that were in financial difficulties or had prolonged delay in settlements and management of the Group assessed that the amount is expected to be irrecoverable. The Group does not hold any collateral over these balances.

(iii) Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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19. TRADE AND BILLS RECEIVABLES *(continued)*

Notes: *(continued)*

(iv) The Group has trade receivables of RMB47,117,411 (2015: RMB35,134,649) relating to a number of independent customers that were past due as at balance sheet date. Trade receivables that were past due but not impaired are as follows:

	2016 RMB	2015 RMB
Within 3 months	18,591,031	20,016,567
More than 3 to 6 months	9,282,108	5,759,604
More than 6 to 12 months	7,891,760	4,971,934
More than 1 year	3,453,081	–
	39,217,980	30,748,105

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20. PREPAYMENTS AND OTHER RECEIVABLES

	2016 RMB	2015 RMB
Prepayments		
Advanced deposits to suppliers (i)	103,929,256	64,391,495
Other prepayments	356,038	543,928
	104,285,294	64,935,423
Other receivables (ii)	14,076,969	16,869,894
Less: allowance for doubtful debts (iii)	(2,245,983)	(2,243,259)
	11,830,986	14,626,635
	116,116,280	79,562,058

20. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes:

(i) Included in advanced deposits to suppliers there was a balance with a supplier of RMB69,041,961 (2015: RMB29,024,470). Major transactions with this independent third party mainly included sales of goods of RMB62,356,492 (2015: RMB65,518,294), purchase of finished goods of RMB75,422,357 (2015: RMB124,660,213) and rental charge and meal expense of RMB1,590,201 (2015: RMB1,986,449).

(ii) In October 2013, the Group started legal proceeding against a lessor and its associates for failure to assist the Group in applying for relevant certificate for a deposit of acquiring prepaid land lease with carrying value of approximately RMB7.9 million in a reasonable time frame. During the year ended 31 December 2016, the Group, the lessor and its associates have agreed to terminate the legal proceeding. The Group is currently in the process of negotiating with the owner of the land lease for the acquisition of the relevant land lease. The directors of the Company are of the opinion that the carrying value of the balance is recoverable as a guarantee is obtained from the owner of the land lease for recovering the prepaid land lease deposit.

(iii) Allowance for doubtful debts:

	2016 RMB	2015 RMB
At 1 January	**2,243,259**	2,096,189
Allowance for impairment loss	**2,724**	147,070
At 31 December	**2,245,983**	2,243,259

Other receivables are assessed to be impaired individually at each reporting date and impairment losses of the Group amounting to approximately RMB2.2 million (2015: RMB2.2 million) has been made as at 31 December 2016. The individually impaired receivables are recognised based on the indication of financial difficulties and default in payments. Consequently, specific impairment provision was recognised. Prepayments and other receivables are non-interest bearing and the Group does not hold any collateral over these balances.

21. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is interest-free, unsecured and repayable on demand.

22. CASH AND BANK BALANCES

Cash and bank balances earn interest at floating rates based on daily bank deposit rates. The carrying amount of the cash and bank balances approximate their fair values.

As at 31 December 2016, the total cash and bank balances is RMB85,743,326 (2015: RMB105,637,380), which the amount denominated in RMB is RMB85,518,177 (2015: RMB102,172,585). RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Included in cash and bank balances of approximately RMB4,791,000 (2015: Nil) was restricted for research and development purposes of a subsidiary, Guangdong Fulilong Soil Conditioning and Remediation Institute.

23. TRADE PAYABLES

	2016 RMB	2015 RMB
Trade payables	**15,998,214**	24,747,935

Generally, the credit terms received from suppliers of the Group is 90 days. An ageing analysis of year-end trade payables is as follows:

	2016 RMB	2015 RMB
Within 3 months	**7,925,023**	14,346,438
More than 3 to 6 months	**2,080,992**	4,261,363
More than 6 to 12 months	**2,600,535**	2,639,421
Over 1 year	**3,391,664**	3,500,713
	15,998,214	24,747,935

24. OTHER PAYABLES AND ACCRUALS

	2016 RMB	2015 RMB
Other payables	**8,869,201**	5,123,017
Accruals	**3,126,522**	2,721,714
Receipt in advance	**11,971,282**	6,944,696
Payable to Social Security Fund (i)	**2,870,850**	2,682,662
	26,837,855	17,472,089

Note:

(i) Pursuant to the state-owned Shares Reduction Regulations, for any issue of new shares by a joint stock limited company with state-owned shares, 10% of the amount raised by the allotment of new shares shall be payable to 全國社會保障基金理事會(National Council for the Social Security Fund).

25. FINANCIAL LIABILITIES

	2016 RMB	2015 RMB
Gross put option (i)	**25,389,100**	24,145,000

Note:

(i) Balance represents the written put option liability to the independent third parties in respect of the disposal transaction of certain equity interests of Tianjin Alpha in 2014 if certain provisions have not been fulfilled by end of 31 December 2015. The initial fair value of the gross put option liability was approximately RMB22,032,000 with corresponding amount recognised in equity and is carried at amortised cost. The provisions have not been fulfilled at the required time frame. The gross put option has not been expired, therefore the Company continues to recognise the financial liabilities at year end date.

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26. BANK BORROWINGS

	2016 RMB	2015 RMB
Secured	**35,000,000**	35,000,000
Unsecured	**5,000,000**	10,000,000
	40,000,000	45,000,000

Bank borrowings are repayable within one year.

Notes:

(i) In 2016, bank borrowings secured against property, plant and equipment and inventories with a total carrying amount of approximately RMB72 million (2015: RMB47 million). Certain bank loans were also guaranteed by a director of the subsidiary and independent third party.

(ii) The bank borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 4.3% to 7.4% (2015: 5.3% to 7.8%).

27. SHARE CAPITAL

(a) The Company's issued and fully paid-up capital comprises:

	2016		2015	
	Number (million)	RMB	Number (million)	RMB
Ordinary shares of RMB 0.10 each:				
Domestic shares				
At 1 January	**698**	**69,750,000**	715	71,500,000
Converted to H Shares (i)	**–**	**–**	(17)	(1,750,000)
At 31 December	**698**	**69,750,000**	698	69,750,000
H shares				
At 1 January	**897**	**89,750,000**	705	70,500,000
Issued new shares (i)	**–**	**–**	192	19,250,000
At 31 December	**897**	**89,750,000**	897	89,750,000
Total at 31 December	**1,595**	**159,500,000**	1,595	159,500,000

27. SHARE CAPITAL *(continued)*

(a) The Company's issued and fully paid-up capital comprises: *(continued)*

Notes:

(i) In April 2015, an aggregate of 192,500,000 H shares has been successfully placed to not less than six independent investors at HK$0.70 per H Share. Please refer to the Company's announcements dated 28 April 2015 for details.

(ii) Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in RMB. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in RMB. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

(b) Movements in the Group's reserves are set out in the consolidated statement of changes in equity.

(c) No share options had been granted by the Company under its share option scheme (the "Scheme") since its adoption. At 31 December 2016, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2015: Nil).

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28. DEEMED DISPOSAL OF A SUBSIDIARY

Pursuant to the announcement dated on 30 September 2015 and as referred to note 1 in the consolidated financial statements, the Company reduced its equity interest of Tianjin Alpha from 50.16% to 38.84% after the Capital Contribution. In addition to the expiry of the Supplement Agreement with Jinnasen on 1 October 2015, Tianjin Alpha ceased to be a subsidiary of the Company and has become an associate of the Group.

The net assets of Tianjin Alpha disposed of as follows:

	2015 RMB
Property, plant and equipment	23,364,855
Goodwill	3,133,932
Inventories	9,408,752
Trade and other receivables	65,719,502
Cash and bank balances	2,500,128
Trade and other payables	(18,212,350)
Amount due to related companies	(4,909,469)
Bank borrowings	(20,000,000)
	61,005,350
Capital injection from shareholders of subsidiary	(24,000,000)
Net assets disposed of	37,005,350
Fair value of 38.84% interest retained as associate	20,000,000
Non-controlling interest derecognised	18,565,599
Less: Net assets disposed of	37,005,350
Gain on deemed disposal of a subsidiary	1,560,249
Net cash outflows arising on disposal	
Cash and bank balance disposed of	2,500,128
	2,500,128

29. NON-CONTROLLING INTERESTS

Summarised financial information on subsidiaries with material non-controlling interests

During the year ended 31 December 2016 and 2015, the total non-controlling interests ("NCI") is attributable to 49% of Shandong Hidersun.

Summarised financial information in relation to the NCI, before intra-group elimination is presented below:

	Shandong Hidersun	
	2016 **RMB**	2015 RMB
For the year ended 31 December		
Revenue	**129,476,782**	194,465,257
(Loss)/profit for the year	**(2,084,000)**	575,823
Total comprehensive income for the year	**(2,084,000)**	575,823
(Loss)/profit and total comprehensive income allocated to NCI	**(1,021,160)**	282,153
For the year ended 31 December		
Cash flow (used in)/generated from operating activities	**(1,925,790)**	26,511,982
Cash flow used in investing activities	**(2,018,404)**	(6,002,448)
Cash flow generated from financing activities	**–**	2,700,000
Net cash (outflow)/inflow	**(3,944,194)**	23,209,534
As at 31 December		
Current assets	**106,480,136**	134,600,717
Non-current assets	**69,452,671**	74,704,170
Current liabilities	**(127,968,612)**	(159,343,491)
Net assets	**47,964,195**	49,961,396
Accumulated non-controlling interests	**23,475,523**	24,496,683

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30. RESERVES

The Company	Share premium RMB (Note(i))	Capital reserve RMB (Note(iii))	Accumulated losses RMB (Note(iv))	Other reserve RMB (Note(v))	Total RMB
At 1 January 2015	75,816,410	(2,312,483)	(66,148,854)	(22,032,403)	(14,677,330)
Loss and total comprehensive income for the year	–	–	(2,946,172)	–	(2,946,172)
Issue of new shares	78,851,461	–	–	–	78,851,461
At 31 December 2015	154,667,871	(2,312,483)	(69,095,026)	(22,032,403)	61,227,959
Loss and total comprehensive income for the year	–	–	(15,004,994)	–	(15,004,994)
At 31 December 2016	154,667,871	(2,312,483)	(84,100,020)	(22,032,403)	46,222,965

(i) Share premium

Share premium represents premium arising from the issue of shares issued at a price in excess of their par value per share.

(ii) Surplus reserve

In accordance with the PRC Companies Law, the Company and its subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital. No such transfer was made in 2016 and 2015 as such reserve reached 50% of the registered capital of the respective companies.

The current year's profit of the Company was used for making up the accumulated losses from prior years and no surplus reserve was set up for the Company for the year ended 31 December 2016.

(iii) Capital reserve

The capital reserve arose primarily as a result of the group reorganisation in 2002.

(iv) (Accumulated losses)/retained earnings

The (accumulated losses)/retained earnings represent the cumulative net gains and losses recognised in profit or loss.

(v) Other reserve

The reserve represents written put option liability to independent third parties in respect of disposal transaction of 49.84% equity interest in Tianjin Alpha in September 2014 (Note 25).

31. COMMITMENTS

(a) Capital commitments

At the end of reporting period, the Group had the following significant capital commitments:

	2016 RMB	2015 RMB
Authorised and contracted for		
– Acquisition of property, plant and machinery	**60,000**	247,300
– Acquisition of intangible assets (i)	**187,506,900**	–
	187,566,900	247,300

Note:

(i) On 16 April 2016, the Company, Shu Ju Ku Inc. (the "Vendor") and Shu Ju Ku Greater China, Ltd. ("SJKGC") entered into an agreement, pursuant to which the Company agreed to purchase, and the Vendor agreed to sell 51% of the issued shares of SJKGC to the Company, at a consideration of US$27,000,000 (equivalent to RMB187,506,900). The acquisition will be satisfied upon completion by an aggregate amount of US$6,500,000 (equivalent to RMB45,140,550) in cash, and the remaining US$20,500,000 (equivalent to RMB142,366,350) by way of allotment and issue of 100,000,000 ordinary shares ("Consideration Shares") by the Company at an issue price of HK$1.60 per Consideration Share to the Vendor. The transaction has not been completed at the end of reporting period. Details of the acquisition were announced by the Company on 16 April 2016.

Upon the completion of the acquisition, the director of the Company consider the Company holds 51% equity interests in SJKGC, are in substance acquisition of assets, instead of an acquisition of business and therefore is excluded from the scope of Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)").

(b) Operating lease commitments

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. At the end of reporting period, the Group had outstanding minimum commitments under operating leases review every 1 to 10 years and many have break clauses, which fall due as follows:

	2016 RMB	2015 RMB
Within one year	**45,504**	633,231

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32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for those transactions disclosed elsewhere in these consolidated financial statements, there are no other related party transactions for the year ended 31 December 2016 and 2015.

Key management personnel during the year comprised only the executive and non-executive directors whose remuneration is set out in note 14 to the consolidated financial statements.

33. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted capital ratio at 31 December 2016 and 2015 was as follows:

	2016 **RMB**	2015 RMB
Total debts – Bank borrowings	**40,000,000**	45,000,000
Less: Cash and bank balances	**(85,743,326)**	(105,637,380)
Net debts	**(45,743,326)**	(60,637,380)
Total equity	**349,383,194**	344,433,641
Net debt-to-adjusted equity ratio	**(13.1%)**	(17.6%)

34. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk and interest rate risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 5% (2015: 5%) and 18% (2015: 18%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 19 and 20 respectively.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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34. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
2016			
Bank borrowings	**40,000,000**	**40,911,622**	**40,911,622**
Trade payables	**15,998,214**	**15,998,214**	**15,998,214**
Other payables	**14,866,573**	**14,866,573**	**14,866,573**
Financial liabilities	**25,389,100**	**26,633,200**	**26,633,200**
	96,253,887	**98,409,609**	**98,409,609**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**15,000,000**	**15,000,000**
2015			
Bank borrowings	45,000,000	46,237,683	46,237,683
Trade payables	24,747,935	24,747,935	24,747,935
Other payables	10,527,393	10,527,393	10,527,393
Financial liabilities	24,145,000	25,861,000	25,861,000
	104,420,328	107,374,011	107,374,011
Financial guarantees issued			
Maximum amount guaranteed	–	20,000,000	20,000,000

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings were issued at variable rates and at fixed rates for years ended 31 December 2016 and 2015 expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group has no significant interest bearing assets apart from cash and bank deposits. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

34. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

The following table details the interest rate profile of the Group's borrowings at the end of reporting period.

	2016 Effective interest rate % per annum	2016 RMB	2015 Effective interest rate % per annum	2015 RMB
Borrowings				
Fixed rate borrowings	**5.7%**	**25,000,000**	5.5%	10,000,000
Variable rate borrowing	**4.5%**	**15,000,000**	6.3%	35,000,000
		40,000,000		45,000,000

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit before taxation by approximately RMB150,000 (2015: RMB350,000), respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2015.

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions and balances are carried out in RMB.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

Summarised in the following table are the carrying amounts not measured at fair value include cash and cash equivalents, trade and other receivables, amount due from an associate, trade and other payables, financial liabilities, financial guarantees issued and borrowings. Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, amount due from an associate and trade and other payables approximate their fair values, and accordingly no disclosure of the fair values of these items is presented.

	2016 RMB	2015 RMB
Financial assets		
Loans and receivables (including cash and bank balances and restricted bank deposits)	**198,118,923**	199,700,996
Financial liabilities		
Financial liabilities measured at amortised cost	**96,253,887**	104,420,328

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36. PARTICULARS OF SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2016 are as follows:

	Form of business structure	Place of incorporation/ establishment	Attributable equity interest held by the Group	Place of operation and principal activities
Shandong Hidersun Fertiliser Industry Co., Ltd.[2] ("Shandong Hidersun")	Corporation	PRC	51%	Manufacturing and sale of biological compound fertilisers in the PRC
Guangdong Fulilong Compound Fertilisers Co., Ltd.[2] ("Guangdong Fulilong")	Corporation	PRC	100%	Manufacturing and sale of biological compound fertilisers in the PRC
Ningxia Hongdi Biotechnology Co., Ltd.[2] ("Ningxia Hongdi")	Corporation	PRC	100%	Not yet commenced business
HONGKONG TEDA Biomedical Investment Limited	Corporation	Hong Kong	100%	Not yet commenced business
Guangdong Fulilong Soil Conditioning and Remediation Institute[2] ("Fulilong Institute")	Non-enterprise organisation	PRC	100%	Conducting regional soil resources conditioning and remediation research, and soil environmental quality standards research

Notes:

1. None of the subsidiaries had issued any debt securities at the end of the year.

2. English translation is for identification purpose only.

37. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB	2015 RMB
Non-current assets			
Property, plant and equipment		**360,969**	445,943
Investments in subsidiaries		**102,046,225**	102,046,225
Interest in an associate		**6,588,602**	6,588,602
Total non-current assets		**108,995,796**	109,080,770
Current assets			
Prepayments and other receivables		**383,923**	1,379,259
Amount due from subsidiaries		**107,055,672**	123,670,672
Amount due from an associate		**10,804,698**	5,000,000
Cash and bank balances		**8,262,708**	20,490,553
Total current assets		**126,507,001**	150,540,484
Total assets		**235,502,797**	259,621,254
Current liabilities			
Trade payables		**26,918**	26,918
Other payables and accruals		**4,363,814**	4,721,377
Financial liabilities		**25,389,100**	24,145,000
Bank borrowings		**–**	10,000,000
Total current liabilities		**29,779,832**	38,893,295
Net current assets		**96,727,169**	111,647,189
NET ASSETS		**205,722,965**	220,727,959
Capital and reserves			
Share capital	27	**159,500,000**	159,500,000
Reserves	30	**46,222,965**	61,227,959
TOTAL EQUITY		**205,722,965**	220,727,959

On behalf of the Board

Sun Li	**Hao Zhihui**
Director	*Director*

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38. CONTINGENT LIABILITIES

As at 31 December 2016, banking facilities of approximately RMB40 million (2015: RMB50 million) were granted to the Group and the Group utilised approximately RMB40 million (2015: RMB45 million) during the year ended 31 December 2016. The Group provided guarantees of RMB15 million (2015: RMB20 million) for the utilised banking facilities of the associate.

39. LITIGATION

On 31 August 2014, the Company entered into an agreement (the "Agreement") with two independent parties (the "Purchasers") to dispose 49.84% equity interest of Tianjin Alpha (the "Equity Interest"), which represents 25.07% equity interest of Tianjin Alpha as at 13 February 2017. Included in the Agreement, certain provisions (the "Provisions") were required to be fulfilled by 31 December 2015, which is considered as part of the transaction and recorded as financial liability (refer to Note 25). On 9 September 2016, the Purchasers commenced a legal action against the Company and requested the Company to buy back the entire Equity Interest as the Provisions have not been fulfilled. According to the Agreement, the Company is required to buy back the Equity Interest at the agreed price plus interest. As at the year end date, the Company has recorded a financial liability of RMB25,389,100 in respect of such unfulfilled Provisions and the management of the Company considered the amount is sufficient.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 15 March 2017.