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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)**

## ANNOUNCEMENT ON ANNUAL RESULTS FOR 2016

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*The information set out in this announcement, 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 GEM of the 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 announcement 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 announcement or any statement herein misleading.*

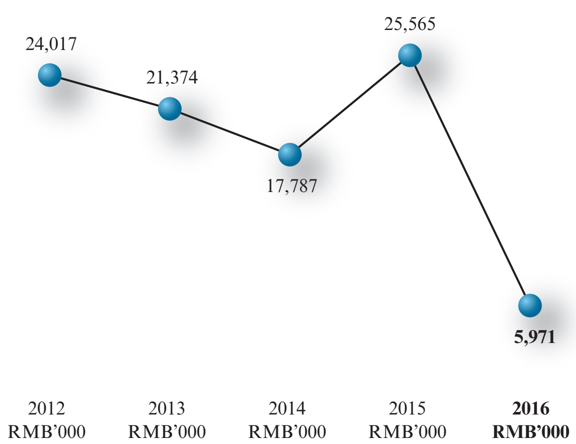
# FINANCIAL HIGHLIGHTS

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015* | **2016*** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | ***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 | 2013 | 2014 | 2015 | **2016** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | ***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**



*The Board of Directors (the "Board") of Tianjin TEDA Biomedical Engineering Company Limited ("TEDA Biomedical" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2016 as follows:*

## 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 | *2* | **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 | | **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 | *4* | **(3,580,769)** | (4,657,425) |
| Gain on deemed disposal of an associate | | **–** | 686,067 |
| Share of loss of an associate | | **(3,915,132)** | (10,870) |
| Profit before income tax expense | *4* | **9,445,884** | 31,949,062 |
| Income tax expense | *5* | **(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 | | **–** | (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 | *7* | | |
| – Basic and diluted | | **0.37** | 1.66 |
| From continuing operation | | | |
| – Basic and diluted | | **0.37** | 1.76 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As At 31 December 2016*

| | *Notes* | **2016** | 2015 |
|---|---|---|---|
| | | ***RMB*** | *RMB* |
| **Non-current assets** | | | |
| Property, plant and equipment | | **63,954,656** | 70,715,068 |
| Interest in an associate | | **16,760,065** | 20,675,197 |
| Prepaid land lease payments | | **8,043,528** | 8,233,355 |
| **Total non-current assets** | | **88,758,249** | 99,623,620 |
| **Current assets** | | | |
| Inventories | | **68,465,182** | 90,377,523 |
| Trade and bills receivables | *8* | **89,830,445** | 78,395,214 |
| Prepayments and other receivables | *9* | **116,116,280** | 79,562,058 |
| Amount due from an associate | | **10,714,166** | 4,909,468 |
| Cash and bank balances | | **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 | *10* | **15,998,214** | 24,747,935 |
| Other payables and accruals | | **26,837,855** | 17,472,089 |
| Financial liabilities | | **25,389,100** | 24,145,000 |
| Current tax liabilities | | **2,019,285** | 2,706,598 |
| Bank borrowings | *11* | **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 |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | *12* | **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** | | **23,475,523** | 24,496,683 |
| **TOTAL EQUITY** | | **349,383,194** | 344,433,641 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For The Year Ended 31 December 2016*

| | Share capital | Share premium | Surplus reserve | Capital reserve | Other reserve | (Accumulated losses)/ retained earnings | Attributable to owners of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *Note 12* | *Note 13(i)* | *Note 13(ii)* | *Note 13(iii)* | *Note 13(v)* | *Note 13(iv)* | | | |
| | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* | *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 | – | – | (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 |

## 1. 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 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 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 financial statements.

***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 financial statements as the Group has not previously used revenue-based depreciation methods.

***Amendments to HKAS 27 – Equity Method in Separate 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 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 financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate 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 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 financial statements as the Company is neither an intermediate parent entity nor an investment entity.

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

The following new/revised HKFRSs, potentially relevant to the Group's 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 of the amendments continues to be permitted.*

## 2. 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** | 2015 |
|---|---|---|
| | ***RMB*** | *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 |

## 3. 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** |

**(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 represent the corporate payables of the Company.

**(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 9(i).

## 4. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *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 |

## 5. INCOME TAX EXPENSE

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *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 expenses for the year can be reconciled to the Group's profit before income tax expense as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *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 |

**(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.

## 6. DIVIDEND

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

## 7. 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** | 2015 |
|---|---|---|
| | ***RMB*** | *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** | 2015 |
|---|---|---|
| | ***RMB*** | *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.

## 8. TRADE AND BILLS RECEIVABLES

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

*Notes:*

(a) 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** | 2015 |
|---|---|---|
| | ***RMB*** | *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 |

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *RMB* |
| At 1 January | **4,386,544** | 7,075,103 |
| Allowance for impairment loss recognised, net *(Note 4)* | **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.

(c) 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.

(d) 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** | 2015 |
|---|---|---|
| | ***RMB*** | *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.

## 9. PREPAYMENTS AND OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *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 |

*Notes:*

(i) Included in advanced deposits to suppliers there was a balance with a supplier of RMB69,041,961 (2015: RMB29,024,470). Major transaction 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** | 2015 |
|---|---|---|
| | ***RMB*** | *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.

## 10. TRADE PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *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 and bills payables is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *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 |

## 11. BANK BORROWINGS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB*** | *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 about 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%).

## 12. SHARE CAPITAL

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

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | ***Number (million)*** | ***RMB*** | *Number (million)* | *RMB* |
| Ordinary shares of RMB0.10 each: | | | | |
| **Domestic shares** | | | | |
| At 1 January | **698** | **69,750,000** | 715 | 71,500,000 |
| Converted to H Shares *(note 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 *(note 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 |

*Note:*

(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).

## 13. RESERVES

| | Share premium<br>*RMB*<br>*(Note (i))* | Capital reserve<br>*RMB*<br>*(Note (iii))* | Accumulated losses<br>*RMB*<br>*(Note (iv))* | Other reserve<br>*RMB*<br>*(Note (v))* | Total<br>*RMB* |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| 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.

# 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.

## 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: the consolidated gross profit margin was 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 gains/(losses), net

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).

### 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 Greater 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 4 to the accounts.

**Profits 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 12 to the accounts.

## 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$209.45 million), which is to be satisfied upon completion by an aggregate amount of US$6,500,000 (equivalent to approximately HK$50.42 million) in cash; and the remaining US$20,500,000 (equivalent to approximately HK$159.02 million) 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) 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 (currently a non-executive Director) 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 would like to propose 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

The Group principally operates in two business segments: (1) compound fertilizers products; and (2) health care products.

During the period under review, the principal continuing operation of the Group was compound fertilizers products. The analysis of compound fertilizers results for the year ended 31 December 2016 and the year ended 31 December 2015 are disclosed in the notes to the relevant accounts.

## 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) 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 about 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.

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 | 124,824,536 |

*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** | **20,035,300** |

## 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.

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 and the repeated transcranial magnetic brain stimulation treatment technology (MeRT). 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.

## 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/Supervisrs/ Executive Officers | Personal | Family | Corporate | Other | Total | Percentage of the issued share capital |
|---|---|---|---|---|---|---|
| Ms. Sun Li | – | – | 300,000,000 *(Note1)* | – | 300,000,000 | 18.81% |
| Mr. Chen Yingzhong | – | – | 170,000,000 *(Note2)* | – | 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.

## 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 new audit committee had held four meetings during the current financial year, and it has also reviewed the audited annual results of the Group for the year ended 31 December 2016.

## 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.

## 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.

## 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.

By order of the Board
**Tianjin TEDA Biomedical Engineering Company Limited**
**Sun Li**
*Chairman*

Tianjin, the PRC

15 March 2017

*As at the date of this announcement, the executive Directors of the Company are Sun Li, Hao Zhihui and Liu Renmu; the non-executive Directors of the Company are Chen Yingzhong, Feng Enqing and Li Ximing; the independent non-executive Directors of the Company are Li Xudong, Duan Zhongpeng and Gao Chun.*

*This announcement, for which the directors are willing to collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that the information contained in this announcement is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting, and it will also be published and remain on the website of the Company at www.bioteda.com.*