泰 达

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)

ANNUAL REPORT 2017

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

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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 (the "GEM Listing Rules") 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.

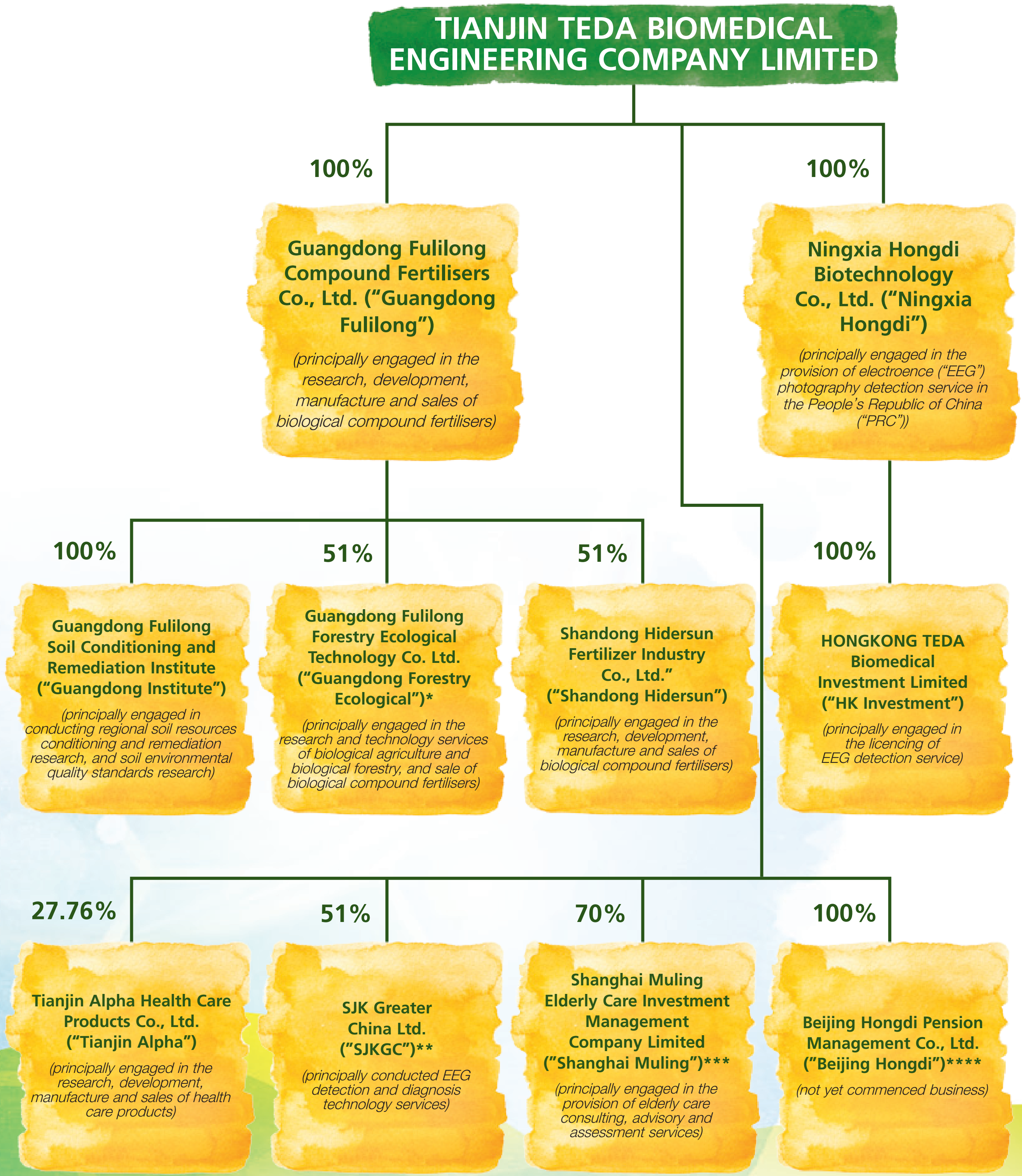
CONTENTS

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 RMB169,500,000. Currently, the Group is principally engaged in two industry sectors: on one hand, it is the biological compound fertiliser business, which principally includes a series of biological compound fertiliser products that are used for the facilitation of balanced growth of grains, fruit and vegetables. On the other hand, it is the health care business, which principally includes the comprehensive layout of elderly care services integrating medical services and elderly care services, and operation and management business, which focus on seniors with complete or partial disability or dementia that have strong demand. Such business mainly includes nationwide conducting the management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses. By applying the world's unique quantitative EEG detection and analysis technology acquired, it has cooperated with relevant medical institutions and medical examination bodies, both domestic and abroad, to assist it in diagnosing accurately various neuropsychiatric/disorders and quantifying the personality traits of children or adults and talents, and thus provide a scientific basis for the development of children's acquired individualised cultivation and adult's adaptability on job positions.

The biological compound fertiliser and health care sectors engaged by the Group are both booming industries encouraged to be developed in the People's Republic of China ("PRC").

GROUP STRUCTURE



* Guangdong Forestry Ecological is a subsidiary established by Guangdong Fulilong and was incorporated on 8 March 2017.

** SJKGC became a subsidiary of the Company after completing the acquisition of the 51% equity interest on 17 March 2017.

*** Shanghai Muling became a subsidiary of the Company after completing the acquisition of the 70% equity interest on 13 July 2017.

**** Beijing Hongdi was incorporated by the Company on 25 October 2017.

CORPORATE INFORMATION

Executive Directors
Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu

Non-executive Directors
Mr. Feng Enqing
Mr. Chen Yingzhong (Resigned on 27 September 2017)
Mr. Cao Aixin (Appointed on 16 November 2017)
Dr. Li Ximing

Independent non-executive Directors
Mr. Li Xudong
Mr. Duan Zhongpeng (resigned on 27 September 2017)
Mr. Wang Yongkang (appointed on 16 November 2017)
Ms. Gao Chun

Supervisors
Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors
Mr. Liang Weitao
Ms. Feng Ling

Company Secretary
Mr. Ng Ka Kuen Raymond, CPA

Compliance Officer
Ms. Sun Li

Audit Committee
Mr. Li Xudong
Mr. Duan Zhongpeng (resigned on 27 September 2017)
Mr. Wang Yongkang (appointed on 16 November 2017)
Ms. Gao Chun

Remuneration Committee
Mr. Duan Zhongpeng (Resigned on 27 September 2017)
Mr. Wang Yongkang (appointed on 16 November 2017)
Ms. Sun Li
Ms. Gao Chun

Nomination Committee
Ms. Sun Li
Mr. Duan Zhongpeng (resigned on 27 September 2017)
Mr. Wang Yongkang (appointed on 16 November 2017)
Ms. Gao Chun

Authorised Representatives
Ms. Sun Li (appointed on 10 April 2017)
Mr. Ng Ka Kuen Raymond
Mr. Wang Shuxin (resigned on 10 April 2017)

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

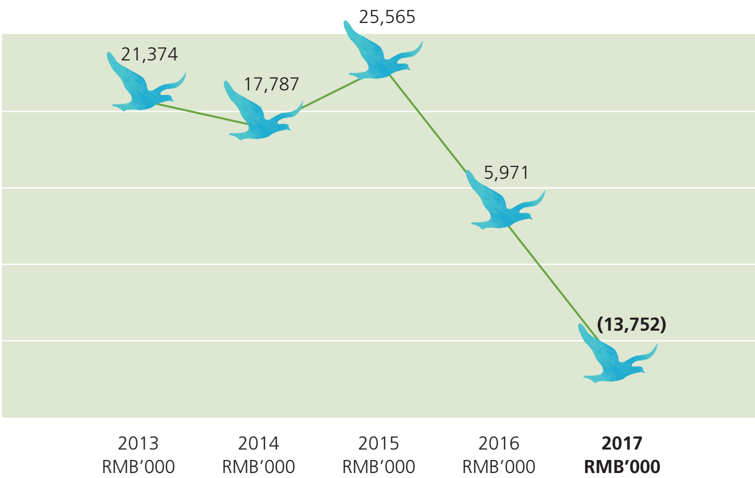
Stock Code
8189

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Results					
Turnover	583,112	470,267	501,590	389,278	**375,907**
Gross Profit	130,585	78,712	96,721	78,806	**53,205**
Gross Margin	22.39%	16.74%	19.28%	20.24%	**14.15%**
Profit/(loss) attributable to the shareholders	21,374	17,787	25,565	5,971	**(13,752)**
Earnings/(loss) per share	1.51 cents	1.46 cents	1.76 cents	0.37 cents	**(0.82) cents**

	As at 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Assets & Liabilities					
Total assets	412,864	432,622	458,505	459,628	**707,878**
Total liabilities	188,093	188,924	114,072	110,244	**133,078**
Equity attributable to the shareholders	201,429	198,021	319,937	325,908	**422,954**

Profit/(loss) attributable to the shareholders



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board") of the Company, I would like to present the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

OPERATIONAL REVIEW

During the period under review, as affected the drop in raw material price and adverse weather, the market trend of the compound fertiliser business operated by the Group had all along been at a state of downturn as a whole, and enterprise inventory pressure increased, augmented by the factors of local planting structure adjustment of peasants and low agricultural product price, the enthusiasm of farmers in using fertilisers was affected. Facing the declining overall market demand and keen market competition, Guangdong Fulilong and Shandong Hidersun, subsidiaries of the Company, actively coped with the challenges to accelerate the research and development of new biological organic fertilisers and timely adjusted the product mix and marketing strategies to ensure a steady development of the compound fertiliser business. For the health care business, the Company completed the acquisition of SJKGC in March 2017 which is engaged in the quantitative EEG detection business in USA and gradually applied the cutting-edge global proprietary quantitative EEG detection and diagnostic technology in the human brain science and technology sector to carry out relevant technical services and project cooperation domestically, including the quantitative and precise detection and diagnosis of various mental and neurological diseases, and quantitative analysis of character traits and talent advantages of children and adults, etc. At the same time, in order to develop the health care and elderly care industry integrating medical services and elderly care services, the Company completed the acquisition of the equity interests and businesses of Shanghai Muling Elderly Care Investment Management Company Limited（上海睦齡養老投資管理有限公司）(“Shanghai Muling”) in July 2017. Such acquisition is a key part of realising the Group’s strategic layout in health care and elderly care industry. During the period under review, the Group focused the layout of conducting the operation and management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses nationwide, and continued to improve our market competiveness in the caring seniors with complete or partial disability or dementia segment.

RESULTS PERFORMANCE

During the year ended 31 December 2017, the Group achieved a turnover of RMB375,906,530 for the year, representing a year-on-year decrease of 3.4% as compared to that of last year. The consolidated gross profit margin of the Group was 14.15%, representing a slight decrease as compared with that of last year, and resulted a decrease in consolidated gross profit of 32.5% to RMB53,205,427 as compared with that of last year. During the period under review, a loss attributable to owners of the Company was RMB13,752,052 with a loss per share of RMB0.82 cents.

CORPORATE GOVERNANCE

The Company considers that good corporate governance practices are fundamentals for safeguarding the rights and interests of shareholders and other stakeholders and enhancing shareholders' value. It is very important to strive to achieve and maintain certain corporate governance standard for sustainable and stable development and smooth transformation of the Group's business. During the period under review, the Board of the Company strictly regulated the relevant work processes of the Board, professional committees and internal issues of the Company in accordance with the code provisions as set out in the Corporate Governance Code under GEM Listing Rules. The Board is responsible for assessing and determining the nature and extent of risks which are acceptable to the Company in achieving its strategic goals, and always maintaining a suitable and effective risk management and internal control system.

ENVIRONMENT, SOCIETY AND GOVERNANCE

Pursuant to the Guidelines on Environmental, Social and Governance Report issued by Hong Kong Stock Exchange, 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. "Gentlemen nourish roots, roots established, and the way grows", the Company considers that only those enterprises that actively undertake social responsibility are the most competitive and viable enterprises. It is hoped that through this report, the Company will continue to improve its governance standards in the aspects such as environmental protection, social responsibility and corporate governance, and work with stakeholders to promote the harmonious development of the economy, society and environment. The performance of corporate social responsibility is always ongoing.

FUTURE OUTLOOK

Looking ahead, throughout a prosperous cycle of the global fertiliser industry, food demand are driven by three major factors including bioenergy policy implementation, food structure upgrading in developing countries and increasing growth in population and food inventory depletion globally. Being a country with a large population, we must assure food security and fertiliser is a significant strategic material for food production. According to estimation, about 50% of our food production is relied on fertilisers. In recent years, our fertiliser manufacturing industry has kept on developing rapidly as a whole. However, the situation of overcapacity and uneven product quality exists with obvious structural contradictions. Accelerating innovation and speeding up research and development of new biological fertilisers are our direction to endeavour.

In addition, with China's ageing population process is progressing rapidly, the problems of disability or dementia among the aged population is serious. According to the fourth survey results jointly issued by National Aging Office, Ministry of Civil Affairs and Ministry of Finance on 9 October 2016 regarding the living conditions of the elderly in urban and rural areas in China, the number of senior citizens with complete or partial disability is approximately 40.63 million, accounted for 18.3% of the aged population. In terms of caring and medical services for seniors with disability or dementia, China still has an obvious gap when compared with the developed countries. In future, the Group will strive to enhance its core competitiveness in the elderly care industry through its superiorities such as its trained domestic premier and senior elderly management team and professional elderly service team with high caring standard, chain operation and management ability for high-level caring seniors with disability or dementia and the world's unique quantitative EEG detection technology, forming our unique caring skills and competitive barriers. The Company will gradually improve the setting-up and development of the health care and elderly care industrial holding platform integrating medical services and elderly care services. We applied the world's unique quantitative EEG detection and analysis technology that acquired successfully and actively expanded the cooperation relationship with relevant health care institutions and physical examination agencies both domestically and abroad for the purpose of comprehensively realising the localisation of quantitative EEG detection and analysis technology. Meanwhile, we assist such institutions to diagnose various nerve/mental diseases and quantitatively analyse children's or adults' personal characteristics and superiorities, which offers scientific basis about analysis of individual training in children and adult job adaptation. We will strive to cultivate the elderly care services integrating medical services and EEG detection service business as the new profit growth point of the Company to complete the strategic innovation and upgrade of the Company effectively.

Finally, I would like to extend my gratitude to all directors, senior management and all staff for their contributions and dedication all the time. The Group will continue to exercise prudence and adhere to its enterprise strategic guideline and facilitate its business transformation actively and stably. I also would like to show my heartfelt gratitude to the Company's shareholders and business partners for their continuous trust and support.

Sun Li
Chairman

26 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Advancing

BUSINESS REVIEW

During the period under review, as affected the drop in raw material price and adverse weather, the market trend of the compound fertiliser business operated by the Group had all along been at a state of downturn as a whole, and enterprise inventory pressure increased, augmented by the factors of local planting structure adjustment of peasants and low agricultural product price, the enthusiasm of farmers in using fertilisers was affected. Facing the declining overall market demand and keen market competition, Guangdong Fulilong and Shandong Hidersun, subsidiaries of the Company, actively coped with the challenges to accelerate the research and development of new biological organic fertilisers and timely adjusted the product mix and marketing strategies. During the period under review, Guangdong Fulilong, a subsidiary of the Company, set up Guangdong Fulilong Forestry Ecological Technology Co. Ltd. ("Guangdong Forestry Ecological") which is principally engaged in the research and technology services of ecological agriculture and forestry technology to further expand the business scope of Guangdong Fulilong to ensure the stable and healthy development of the compound fertiliser business. In addition, during the period under review, Guangdong Fulilong became the third batch of planned academician work station enterprise in Dongguan after the discussion in the Dongguan academician work station review committee meeting. Guangdong Fulilong will drive the Company's development in technology innovation in future and plays a leading role in the Company's industrial structure and upstream and downstream industrial chain integration through technology innovation.

During the period under review, the Company completed the acquisition of SJKGC in March 2017 which is engaged in the quantitative EEG detection business in USA and gradually applied the cutting-edge global proprietary quantitative EEG detection and diagnostic technology in the human brain science and technology sector to carry out relevant technical services and project cooperation domestically, including the quantitative and precise detection and diagnosis of various mental and neurological diseases, and quantitative analysis of character traits and talent advantages of children and adults, etc. At the same time, in order to develop the health care and elderly care industry integrating medical services and elderly care services, the Company completed the acquisition of the equity interests and businesses of Shanghai Muling Elderly Care Investment Management Company Limited (上海睦齡養老投資管理有限公司) ("Shanghai Muling") in July 2017. Such acquisition is a key part of realising the Group's strategic layout in health care and elderly care industry. Shanghai Muling operates and manages 6 elderly homes and 27 day care centers across 4 major central districts in Shanghai (Pudong New Area, Jing'an District, Putuo District and Huangpu District), and in Yunnan and Xinjiang. The elderly homes accommodate a total of 3,000 beds and the care centers can serve 750,000 seniors in the neighbourhood under the management of Shanghai Muling. The

seniors are aged 88 or above in average in the elderly homes, whereas aged 80 or above for the individuals attend the community day care centers. Most of the attendees are seniors with complete or partial disability or dementia. The elderly homes operated and managed by Shanghai Muling were accredited as tier-3 elderly care institution (being the highest level) in the first batch by Shanghai Social Welfare Industry Association (上海市社會福利行業協會). Its professional caring for the seniors with disability or dementia and its upgraded day care service model were awarded as Excellent Cases for Innovative Practice in Elderly Care Services in Shanghai (上海養老服務創新實踐優秀案例) by Shanghai Civil Affairs Bureau. Its standardised projects for elderly day care services was awarded by Shanghai Quality and Technical Supervision Bureau (上海市質量技術監督局) as the "First Batch of Standardised Pilot Projects on Social Management and Public Services in Shanghai in 2014（《" 2014年第一批上海市社會管理和公共服務標準化試點項目》）, and it became the fourth batch of comprehensive standardised pilot projects on social management and public services in China in 2017. During the period under review, as reviewed by National development and Reform Commission, Ministry of Civil Affairs and National Aging Office, Shanghai Ruifu Retirement Service Center, one of the key customers for providing consultancy services by Shanghai Muling, successfully entered into the national 75 typical cases regarding retirement service quality upgrading for "Let professionals handle professional issues". Currently, the Group makes key layouts and carries out relevant retirement service businesses including retirement agency (service facility) operational management, retirement service resources integration, retirement service management monitoring and consultancy, so as to gradually enhance the Group's market competitiveness in the complete or partial disability or dementia senior caring sector.

FINANCIAL REVIEW

Turnover, gross profit and gross margin

For the year ended 31 December 2017, the Group achieved total annual turnover of RMB375,906,530, representing a decrease of 3.4% as compared to last year (31 December 2016: RMB389,278,236). The consolidated gross profit was RMB53,205,427 (31 December 2016: RMB78,805,675) and the consolidated gross profit margin was 14.15% (31 December 2016: 20.24%). During the period under review, due to the continuous decline in compound fertiliser industry and the overall high pressure in inventory, the Group actively adjusted its product mix and pricing of some biological compound fertiliser products according to market changes, so as to improve market competeveness and this resulted a decrease of the Group's consolidated gross margin as compared to last year.

Other income and (losses)/gains, net

For the year ended 31 December 2017, other income and losses, net was RMB5,377,946 (31 December 2016: other income and gains, net of RMB871,180). Other income and losses, net for the year ended 31 December 2017 mainly comprised fair value loss of profit guarantee receivable of approximately RMB7.3 million from the acquisition of business and intangible asset in the current year.

Selling and distribution costs

For the year ended 31 December 2017, selling and distribution costs of the Group was RMB14,755,804, representing a decrease of 28.01% as compared to last year (31 December 2016: RMB20,495,906). During the period under review, in view of the adverse market conditions and intense market competition, the Group moderately controlled its marketing and selling expenses.

Administrative expenses

For the year ended 31 December 2017, administrative expenses of the Group were RMB36,227,996 (31 December 2016: RMB30,739,780), representing an increase of 17.85% as compared to last year, which was mainly due to the Group's obvious increase in service charges of intermediary institutions as compared to last year and an appropriate increase in the provision for trade receivables as compared to last year as 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 2017, research and development expenses of the Group were RMB9,294,266, representing a decrease of 19.18% as compared to last year (31 December 2016: RMB11,499,384), which was mainly due to the Group's moderate control in research and development projects under the adverse market conditions.

Finance costs

For the year ended 31 December 2017, finance costs of the Group were RMB3,699,137, representing a slight increase of 3.31% as compared to last year (31 December 2016: RMB3,580,769). The details are set out in Note 9 to the consolidated financial statements.

(Loss)/Profit for the year

For the year ended 31 December 2017, loss attributable to the owners of the Company was RMB13,752,052, however, profit attributable to the owners of the Company was RMB5,970,713 in the same period of last year; For the year ended 31 December 2017, loss per share of the Company was RMB0.82 cents, however, there were earnings per share of RMB0.37 cents in the same period of last year.

STRUCTURE OF SHARE CAPITAL

As at 31 December 2017, the structure of share capital of the Company is set out in Note 33 to the consolidated financial statements.

ACQUISITION OF 51% STAKE OF SJK GREATER CHINA LTD.

On 17 March 2017, the Company issued an announcement (the "Announcement") that all conditions precedent under the Agreement had been fulfilled and the Completion took place on 17 March 2017. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement. The Company had nominated HONGKONG TEDA Biomedical Investment Limited (香港泰達生物投資有限公司) ("HK TEDA") to hold the Sale Shares on its behalf and a new shareholders agreement of SJKGC had been entered into amongst the Vendor, HK TEDA and SJKGC on 17 March 2017, the terms and conditions of which were substantially the same as those set out in the Shareholder Agreement (which in turn had been terminated). Following the Completion, SJKGC had become a non-wholly-owned subsidiary of the Company and its financial information will be consolidated into the Company's financial statements. According to the terms of the Agreement, upon the Completion, the Company had allotted and issued 100,000,000 Consideration Shares at the issue price of HK$1.60 each to the Vendor as part of the Consideration. For details please refer to the Announcement of the Company published on the GEM website on 17 March 2017.

CHANGE OF AUTHORISED REPRESENTATIVE

On 10 April 2017, the Company announced that Mr. Wang Shuxin ceased to be the authorised representative of the Company for the purpose of Rule 5.24 of the GEM Listing Rules with effect from 10 April 2017, and that Ms. Sun Li, an executive director, Chairman and Chief Executive Officer of the Company, had been appointed as the authorised representative of the Company for the purpose of Rule 5.24 of the GEM Listing Rules with effect from 10 April 2017. For details, please refer to the announcement of the Company published on the GEM website dated 10 April 2017.

GENERAL MANDATE TO ISSUE SHARES

On 16 May 2017, the Company issued an announcement that a special resolution was duly passed at the annual general meeting of the Company on 16 May 2017 granting to the Board a general mandate to issue, allot and deal with additional Domestic Shares/H Shares not exceeding 20% of the Domestic Shares in issue and 20% of the H Shares in issue of the Company, and authorising the Board to make such amendments to the articles of association of the Company as it thinks fit to reflect the new share capital structure subsequent to the allotment or issue of additional shares. For details, please refer to the notice of the annual general meeting and circular of the Company both dated 30 March 2017 published on the GEM website, and the announcement of results of the annual general meeting dated 16 May 2017 published on the GEM website.

ACQUISITION OF SHANGHAI ELDERLY CARE INSTITUTIONS

On 19 June 2017, the Company issued an announcement that the Company had signed the "Agreement between Tianjin Teda Biomedical Engineering Company Limited and Li Chuanfu in relation to the acquisition of the Equity Interests and Businesses of Shanghai Muling Elderly Care Investment Management Company Limited, Shanghai Ruifu Elderly Care Service Center and Shanghai Wanli Community Elderly Day Care Center" (《天津泰達生物醫學工程股份有限公司與李傳福有關上海睦齡養老投資管理有限公司、上海瑞福養老服務中心、上海萬里社區老年人日間照護中心之股權及業務收購協議》) with Mr. Li Chuanfu (李傳福) to acquire in cash the 70% equity interests in Shanghai Muling Elderly Care Investment Management Company Limited (上海睦齡養老投資管理有限公司) ("Shanghai Muling"). For details, please refer to the voluntary announcement of the Company published on the GEM website dated 19 June 2017.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION ON TRANSFERRING OF DOMESTIC SHARES

On 11 August 2017, the Company issued an announcement that on 26 July 2017, Guangzhou Wenguang Media Company Limited ("Guangzhou Wenguang"), as the seller, entered into an agreement with Shandong Zhinong Fertilizers Company Limited ("Shandong Zhinong") to transfer the 10,000,000 domestic shares of the Company to Shandong Zhinong, representing 0.59% of the total issued share capital of the Company. The Board had 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 Shandong Zhinong. 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 of the Company convened on 29 September 2017. For details, please refer to the announcement dated 11 August 2017 published on the GEM website, the notice of extraordinary general meeting and circular both dated 14 August 2017, and the announcement of the results of the extraordinary general meeting dated 29 September 2017 of the Company published on the GEM website.

RESIGNATION AND APPOINTMENT OF DIRECTORS

On 27 September 2017, the Company issued an announcement that the Board had accepted the resignation of Mr. Chen Yingzhong, a non-executive Director, and the resignation of Mr. Duan Zhongpeng, an independent non-executive Director, with effect from 27 September 2017.

The Board proposed to appoint Mr. Cao Aixin as a non-executive Director and appoint Mr. Wang Yongkang as an independent non-executive Director respectively for a term commencing on the date of approval by the shareholders of the Company and expiring on 31 December 2019. The aforesaid proposals became effective after being voted by poll as ordinary resolutions at the extraordinary general meeting of the Company convened on 16 November 2017. For details, please refer to the announcement dated 27 September 2017 published on the GEM website, the notice of extraordinary general meeting and circular both dated 29 September 2017 of the Company, and the announcement of the results of the extraordinary general meeting dated 16 November 2017 of the Company published on the GEM website.

ISSUE OF ADDITIONAL H SHARES UNDER GENERAL MANDATE

The company issued an announcement on 9 February 2018 and a supplementary notice on 12 February 2018, and no less than six subscribers entered into the subscription agreements to issue a total of 199,500,000 new H Shares to the subscribers. The subscribers are independent institutional and/or individual investors who are independent third parties of the Company and its connected persons. The subscription price is HK$0.25 per subscription share, and the number of the subscription shares represented approximately 10.53% of the total number of Shares in issue at the completion of the subscription on 14 March 2018. For details, please refer to the announcements of the Company dated 9 February 2018, 12 February 2018 and 14 March 2018 published on the GEM website.

The comparison of the shareholding structure of the Company before and after the issue of additional H Shares is as follows:

Name of shareholders	Nature of Shareholding	Before Completion of This Additional Issue		After Completion of This Additional Issue	
		Number of Shares Held	Percentage of Shares (%)	Number of Shares Held	Percentage of Shares (%)
Tianjin TEDA International Incubator	State-owned legal person shares	182,500,000	10.77	182,500,000	9.63
Gu Hanqing	Natural person shares	14,000,000	0.83	14,000,000	0.74
Xie Kehua	Natural person shares	9,000,000	0.53	9,000,000	0.48
Guangzhou Wenguang Media	Social legal person shares	2,000,000	0.12	2,000,000	0.11
北京金百達信息	Social legal person shares	10,000,000	0.59	10,000,000	0.53
Shenzhen Xiangyong	Social legal person shares	180,000,000	10.62	180,000,000	9.50
Shandong Zhinong	Social legal person shares	180,000,000	10.62	180,000,000	9.50
Dongguan Lvye	Social legal person shares	120,000,000	7.08	120,000,000	6.33
H Shares public shareholders	H Shares	897,500,000	52.95	897,500,000	47.38
H Shares subscribers	H Shares	–	–	199,500,000	10.53
Shu Ju Ku, Inc.	H Shares	100,000,000	5.90	100,000,000	5.28
Total		**1,695,000,000**	**100.00**	**1,894,500,000**	**100.00**

SEGMENTAL INFORMATION

The Group principally operates two business segments: (1) compound fertilisers products; and (2) elderly care and health care services.

The details of the analysis of the Group's results for the year ended 31 December 2017 and 31 December 2016 are disclosed in respective notes to the consolidated financial statements enclosed.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 31 December 2017, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2017, the Group's current assets and net current assets were RMB307,618,425 (31 December 2016: RMB370,869,399) and RMB174,540,370 (31 December 2016: RMB260,624,945) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 2.31 (31 December 2016: 3.36). The Group's current assets as at 31 December 2017 comprised mainly cash and bank balances of RMB37,592,277 (31 December 2016: RMB85,743,326), trade and bills receivables of RMB107,490,288 (31 December 2016: RMB89,830,445), prepayments and other receivables of RMB69,342,030 (31 December 2016: RMB116,116,280) and inventories of RMB92,699,923 (31 December 2016: RMB68,465,182).

As at 31 December 2017, total bank borrowings of the Group amounted to RMB40,000,000 (31 December 2016: RMB40,000,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed and floating interest rates ranging from 4.5% to 7.4% (31 December 2016: 4.3% to 7.4%) per annum. Out of all the bank borrowings, a total amount of RMB25,700,000 will mature in the first half of 2018, a total amount of RMB14,300,000 will mature in the second half of 2018.

As at 31 December 2017, the Group's consolidated total assets and net assets were RMB707,877,846 (31 December 2016: RMB459,627,648) and RMB574,799,791 (31 December 2016: RMB349,383,194) respectively. The Group's consolidated gearing ratio, represented by the ratio of total liabilities to total assets, was 0.19 (31 December 2016: 0.24). As at 31 December 2017, the Group's consolidated gearing ratio, represented by the ratio of total bank borrowings to total assets, was 0.06 (31 December 2016: 0.09).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2017, banking facilities of approximately RMB50 million (2016: RMB40 million) were granted to the Group and the Group utilised approximately RMB40 million (2016: RMB40 million) during the year ended 31 December 2017.

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: RMB15,000,000).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 643 employees (2016: 492 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.

EXPOSURE TO FOREIGN CURRENCY RISK

During the period under review, the Group had a relatively low foreign currency risk since all the principal business of the Group are mainly domestic sales in China denominated in Renminbi and payables to suppliers are also mainly 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 ahead, the global economy will continue its moderate recovery. While China has stepped into a breakthrough and deepening stage of reform and restructuring, all round deepening reform with full thrust momentum and multi-breakthrough both vertically and horizontally. With accelerating paces in economic structure adjustment and industrial upgrading, the stable economic momentum keep on consolidating and new motions of sustainable economic development keep on accumulating. China will promote its supply-side structural reforms and accelerate opening up its new economic system, using innovation to drive economic development to achieve sustainable development. Under this context, the Group will insists on the development concepts of innovation, coordination, green, openness and sharing of the biological compound fertiliser and health and medical care businesses that the Group are engaged in. Furthermore, while keep on optimising our internal resources and industrial structure, we will monitor risk to ensure smooth industrial upgrading and transformation.

In recent years, the progress of de-capacity for compound fertilisers has been promoting which is due to the impact of the national environmental protection requirements that pushes the market-oriented reform moving forward. Compound fertilisers enterprises with falling behind production facilities and not meeting the standards will face production halt. Furthermore, owing to reasons of bad practices on credit and sales, the compound fertilisers market sentiment was lack lustre, with many vulnerable distributors exiting the agricultural capital market. Eliminating the falling behind capacity will lead to industrial concentration improvement, in which it will optimise the market further. This year, on the basis of the requirements of assurance state food security in the Central Document No.1, deepening the agricultural supply-side structural reforms, promoting modernisation of agricultural villages, boosting transformation from production increase focus to quality improvement are the emphasis to put green and qualify agricultural products in a prominent position. Moreover, according to "Guiding Opinions on Promoting the Transformation Development of Fertiliser 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 fertiliser 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 fertilisation. With extensive implementation of agricultural ecological management, soil protection and improvement, it will facilitate new fertilisers' development such as effective specialised fertilisers, value-added fertilisers and organic fertilisers. Guangdong Fulilong, the Group's compound fertiliser manufacturing enterprise, will quicken its pace in the research and development and marketing of new ecological and environment-protection fertilisers and strengthen agricultural fertiliser service by leveraging on the research and development technology platforms of "Guangdong Fulilong Soil Conditioning and Remediation Institute" (廣東福利龍土壤調理修復研究院) and "Provincial Engineering Technology Center" as well as the special agroforestry ecological platform, "Guangdong Fulilong Agroforestry Ecological Technology Co., Ltd", so as to ensure the development of the Group's compound fertiliser business to reach a new level with the objective of enhancing the operational benefits of the Group's biological compound fertiliser business.

China's ageing population process is progressing rapidly. According to the Pension Finance Development Report in China (2016) (中國養老金融發展報告(2016)) published by Social Sciences Academic Press (社會科學文獻出版社), it is expected that China's aged population over 65 years old will reach 280 million by 2030, representing 20.2% of the total aged population, and will reach its peak of 400 million by 2055, representing 27.2%. The years before 2040 is the most rapidly progressing period of aging population, with its proportion increased by 0.5 percentage point every year on average. China will enter into an ultra-aging society by 2040. Of which, under the rapidly aging situation, the problems of disability or dementia among the aged population are serious. According to the fourth survey results jointly issued by National Aging Office, Ministry of Civil Affairs and Ministry of Finance on 9 October 2016 regarding the living conditions of the elderly in urban and rural areas in China, the number of senior citizens with complete or partial disability is approximately 40.63 million, accounted for 18.3% of the aged population. This number will reach 61.68 million by 2030, and the total number will exceed 100 million by 2053, the peak year of population aging. In terms of caring and medical services for seniors with disability or dementia, currently, China

MANAGEMENT DISCUSSION AND ANALYSIS

is still at a low development stage with an obvious gap when compared with the developed countries, a market with strong demand that needs key support and planning currently. In future, the Group will strive to enhance its core competitiveness in the elderly care industry through its superiorities such as its trained domestic premier and senior elderly management team and professional elderly service team with high caring standard, chain operation and management ability for high-level caring seniors with disability or dementia and the world's unique quantitative EEG detection technology, forming our unique caring skills and competitive barriers. The Company will gradually improve the setting-up and development of the health care and elderly care industrial holding platform integrating medical services and elderly care services. At the same time, we have already used the world's unique quantitative EEG detection and analysis technology we acquired successfully and actively expand the cooperation relationship with relevant health care institutions and physical examination agencies both domestically and abroad for the purpose of comprehensively realising the localisation of quantitative EEG detection and analysis technology. We assist such institutions to diagnose various nerve/mental diseases and provide quantitative analysis on children's or adults' personal characteristics and superiorities, provide scientific basis about analysis of individual training in children and adult job adaption. We will strive to cultivate the elderly care services integrating medical services and EEG detection service business as the new profit growth point of the Company to complete the strategic innovation and upgrade of the Company effectively.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, all members of the Supervisory Committee (the "Supervisory Committee") of the Company have faithfully carried out their duties and obligations in accordance with the requirements of the PRC Company Law and the Articles of Association of the Company, executed the functions of monitoring the operation and management of the Company and supervised the directors and senior management officers so as to protect the legal 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 16 March 2017, the Supervisory Committee held the first meeting in 2017, at which the consolidated financial report of the Group for the year 2016 audited by BDO Limited was reviewed and approved;

2. On 9 May 2017, the Supervisory Committee held the second meeting in 2017, at which the first quarterly report of the unaudited results of the Company for the three months ended 31 March 2017 was reviewed and approved;

3. On 11 August 2017, the Supervisory Committee held the third meeting in 2017, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2017 was reviewed and approved;

4. On 9 November 2017, the Supervisory Committee held the fourth meeting in 2017, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2017 was reviewed and approved.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2017

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 2017 *(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 favourable 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 and Articles of Association for the purpose of creating a sustained and healthy development of the Company

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

26 March 2018

DIRECTORS' REPORT

The Board 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 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATION

The principal activities of the Company are the research and development and commercialisation of biological compound fertiliser products and provision of elderly care and health care services.

The activities of the subsidiaries are set out in Note 42 to the consolidated financial statements enclosed.

CHANGE OF SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 33 to the consolidated financial statements enclosed.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 70 of this annual report.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company at 31 December 2017 calculated under the Company's bye-laws amounted approximately to RMB Nil (2016: 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 73 of this annual report and Note 34 to the consolidated financial statements enclosed respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements enclosed.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association 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 2017 is set out on page 5 of this annual report.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: RMB15,000,000).

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

— Largest supplier	10.97%
— Five largest suppliers combined	42.08%

Sales

— Largest customer	2.96%
— Five largest customers combined	12.73%

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

Non-executive Directors

Mr. Feng Enqing
Mr. Chen Yingzhong (resigned on 27 September 2017)
Mr. Cao Aixin (appointed on 16 November 2017)
Dr. Li Ximing

Independent non-executive Directors

Mr. Li Xudong
Mr. Duan Zhongpeng (resigned on 27 September 2017)
Mr. Wang Yongkang (appointed on 16 November 2017)
Ms. Gao Chun

Supervisors

Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors

Mr. Liang Weitao
Ms. Feng Ling

Senior Management

Chief Executive Officer
Ms. Sun Li

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, of which two are 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 44, the Chairman of the Board 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（北京盈谷信曄投資有限公司）. 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.（北京盈谷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 the Company. From September 2015 until now, she served as Chief Executive Officer of the Company.

DIRECTORS' REPORT

Mr. Hao Zhihui ("Mr. Hao"), aged 56, the vice chairman of the Board 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 the Company since April 2011.

Mr. Liu Renmu ("Mr. Liu"), aged 54, 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 January 2017 until now, Mr. Liu was appointed as an Executive Director of the Company.

Non-executive Directors

Mr. Feng Enqing ("Mr. Feng"), aged 59, 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. Cao Aixin ("Mr. Cao"), aged 55, has over 20 years of experience in sales and management and has been extremely familiar with the business and operations of the Group. Mr. Cao joined Guangdong Fulilong Compound Fertilisers Co., Ltd. ("Guangdong Fulilong") as a regional marketing manager in October 1997. He subsequently served as the general marketing manager of Guangdong Fulilong from 2001 to 2005, the deputy general manager of Guangdong Fulilong from 2006 to 2009 and has been appointed as the chairman of Guangdong Fulilong since 2010, during which he has accumulated extensive experience in business operation and marketing. Mr. Cao was appointed as a Non-executive Director of the Company since November 2017.

Dr. Li Ximing ("Dr. Li"), aged 56, 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 Laboratories 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 organisation (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 January 2017.

Independent non-executive Directors

Mr. Li Xudong ("Mr. Li"), aged 47, 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 Independent Non-executive Director of the Company since January 2017.

Mr. Wang Yongkang ("Mr. Wang"), aged 48, obtained his bachelor's degree of Law in administrative management from China University of Political Science and Law in 1993 and his master's degree of Law in economic law from Capital University of Economics and Business in 1999. After postgraduate studies, Mr. Wang worked at Gaopeng & Partners (高朋律師事務所) from 1999 to January 2002. From February 2001 to March 2003, he worked at Grandall Legal Group (Beijing) (國浩律師集團(北京)事務所) as a partner. In April 2003, he co-founded Broad & Ken Partners (博金律師事務所) where he has been working till now. Mr. Wang served as the independent director of Zhengzhou Coal Industry & Electric Power Co., Ltd. (鄭州煤電股份有限公司) (600121) from 2007 to 2013. Mr. Wang was appointed as an Independent non-executive Director of the Company since November 2017.

Ms. Gao Chun ("Ms. Gao"), aged 47, graduated from Gannon University with a master's degree in business administration. 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 January 2017.

Supervisors

Ms. Yang Chunyan ("Ms. Yang"), aged 41, 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 June 2007 and a supervisor of the Company since January 2010.

Ms. Liu Jinyu ("Ms. Liu"), aged 45, 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 35, 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 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 reorganisation. 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 August 2015.

Ms. Feng Ling ("Ms. Feng"), aged 36, 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 January 2017.

SENIOR MANAGEMENT

Chief Executive Officer

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

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 an associate member of the Association of International Accountants in June 2004. In April 2005, Mr. Ng became a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. 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 the Company has been authorised 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 13 to the consolidated financial statements enclosed.

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. Wang Yongkang 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 2017, 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 issued share capital
Ms. Sun Li	–	–	300,000,000 (Note)	–	300,000,000	17.70%

Note: 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.

Save as disclosed in this paragraph, as at 31 December 2017, 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 2017, 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 1)	10.77%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Note 1)	10.62%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	180,000,000 (Note 1)	10.62%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers")	Beneficial owner	120,000,000 (Note 1)	7.08%
Shu Ju Ku Inc.	Beneficial owner	100,000,000 (Note 2)	5.90%

Note 1: All of the shares represent domestic shares.

Note 2: All of the shares represent H shares.

Save as disclosed above, as at 31 December 2017, 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 into or existed during the year.

COMPETING INTERESTS

During the year ended 31 December 2017, 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 year ended 31 December 2017.

SHARE OPTION SCHEME

For the year ended 31 December 2017, the Company did not approve any new share option scheme.

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. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun during the period under review, among whom, Mr. Li Xudong was appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience.

The audit committee had held six meetings during the current financial year. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2017.

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 62 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 16 May 2017, BDO Limited ("BDO") was re-appointed, and the 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 2017 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, 26 March 2018

CORPORATE GOVERNANCE REPORT

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 emphasise 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 2017, 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 29 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, formulate, review and monitor issuers and directors to obey legal regulatory rules and code of conduct 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 financial statements 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 2017 were:

Executive Directors

Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu

Non-executive Directors

Mr. Feng Enqing
Mr. Chen Yingzhong (resigned on 27 September 2017)
Mr. Cao Aixin (appointed on 16 November 2017)
Mr. Li Ximing

Independent non-executive Directors

Mr. Li Xudong
Mr. Duan Zhongpeng (resigned on 27 September 2017)
Mr. Wang Yongkang (appointed on 16 November 2017)
Ms. Gao Chun

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 health care 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 separately 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 holds at least four meetings per year (one official Board meeting for each quarter at least). During 2017, 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 Chairman of the Company's Board 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 professional trainings for senior management and 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 about GEM Listing Rules for Directors, Supervisors and senior management in relation to the Monitoring Matters for the Directors, Company Secretary, the Board Committee, authorised representatives and the Company. Pursuant to the requirements of GEM A.1.8, the Company has arranged appropriate insurance cover for its Directors and the senior management to avoid legal risks.

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	3/3	1/1
Mr. Hao Zhihui	9/9	3/3	1/1
Mr. Liu Renmu	9/9	0/3	1/1
Non-executive Directors			
Mr. Feng Enqing	5/9	0/3	1/1
Mr. Chen Yingzhong (resigned on 27 September 2017)	2/8	0/1	0/1
Mr. Cao Aixin (appointed on 16 November 2017)	0/0	0/1	0/0
Mr. Li Ximing	7/9	0/3	1/1
Independent non-executive Directors			
Mr. Li Xudong	9/9	0/3	1/1
Mr. Duan Zhongpeng (resigned on 27 September 2017)	7/8	0/1	1/1
Mr. Wang Yongkang (appointed on 16 November 2017)	0/0	0/1	0/0
Ms. Gao Chun	9/9	0/3	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 realise 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 organisation, 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 organisation and coordination of the risk management and internal control system, including but not limited to organising 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 organising 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, summarising 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 organisation 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.

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 minimise 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 penalise 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. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun, among whom, 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 six 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 audit committee has reviewed and discussed the results of the Group for the year ended 31 December 2017 and the 2017 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. Li Xudong	6/6
Mr. Duan Zhongpeng (resigned on 27 September 2017)	5/5
Mr. Wang Yongkang (appointed on 16 November 2017)	1/1
Ms. Gao Chun	6/6

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 16 May 2017 until the conclusion of the forthcoming annual general meeting of the Company.

The annual financial statements for the financial year ended 31 December 2017 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 2015, 2016 and 2017 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 2017 is set out as follows:

	Fees Received	
Types of Services	**for the year ended 31 December 2017 RMB'000**	for the year ended 31 December 2016 RMB'000
Audit services		
– Annual audit of the financial statement of the company and its subsidiaries	**935**	896
Non-audit services	**Nil**	429

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. Wang Yongkang and Ms. Gao Chun, who are independent non-executive directors.

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	3/3
Mr. Duan Zhongpeng (resigned on 27 September 2017)	2/2
Mr. Wang Yongkang (appointed on 16 November 2017)	0/0
Ms. Gao Chun	3/3

During the year under review, the nomination committee conscientiously performed its duties. Three 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. Wang Yongkang, 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. Duan Zhongpeng (resigned on 27 September 2017)	2/2
Mr. Wang Yongkang (appointed 16 November 2017)	0/0
Ms. Sun Li	3/3
Ms. Gao Chun	3/3

During the period under review, the remuneration committee performed its duties conscientiously. Three 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

	2017 (RMB)			2016 (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	618,552	85,487	704,039	616,052	4,598	620,650
Mr. Hao Zhihui	593,037	85,061	678,098	590,537	82,264	672,801
Mr. Liu Renmu	50,000	–	50,000	–	–	–
Mr. Wang Shaxin (retired on 31 December 2016)	–	–	–	616,052	82,264	698,316
Non-executive directors						
Mr. Feng Enqing	–	–	–	–	–	–
Mr. Chen Yingzhong (resigned on 27 September 2017)	–	–	–	–	–	–
Mr. Cao Aixin (appointed on 16 November 2017)	36,530	1,287	37,817	–	–	–
Mr. Li Ximing	36,666	–	36,666	–	–	–
Mr. Ou Linfeng (resigned on 9 August 2016)	–	–	–	41,355	–	41,355
Independent non-executive Directors						
Mr. Li Xudong	73,333	–	73,333	–	–	–
Mr. Duan Zhongpeng (resigned on 27 September 2017)	60,000	–	60,000	–	–	–
Mr. Wang Yongkang (appointed on 16 November 2017)	3,334	–	3,334	–	–	–
Ms. Gao Chun	73,333	–	73,333	–	–	–
Mr. Guan Tong (retired on 31 December 2016)	–	–	–	41,355	–	41,355
Mr. Wu Chen (retired on 31 December 2016)	–	–	–	41,355	–	41,355
Mr. Peter K.S. Chan (retired on 31 December 2016)	–	–	–	155,250	–	155,250

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT DURING THE YEAR

(continued)

	2017 (RMB)			2016 (RMB)		
Name of Senior	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
Chief Executive Officer						
Ms. Sun Li	618,552	85,487	704,039	616,052	4,598	620,650
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 67 to 69 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 16 May 2017 and the extraordinary general meeting held on 29 September 2017 and 16 November 2017 respectively, 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 involves the environmental, social and governance (the "ESG") performance of the Company and its subsidiaries in their principal place of business. It is prepared in accordance with the ESG Guide (the "Guide") issued by Hong Kong Stock Exchange. The Board is of the opinion that enterprises that actively undertake social responsibility are the most competitive and viable enterprises. Through this report, the Board hopes that the Company will continue to improve our governance standard in the areas such as environmental protection, social responsibility and corporate governance and together, together with various our stakeholders to jointly promote the harmonious development of economy, society and environment.

The report contains the strategies and practices of the Company in four aspects, namely environmental protection, employment and labour practices, operation practice and community participation during the period under review, of which, the information regarding environmental protection is come from the Environmental Report of Shandong Hidersun and Guangdong Fulilong, while other information is come from the relevant 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, and 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, in which it will enable the Group to optimise continuously and further improve its work within the ESG scope.

ENVIRONMENTAL PROTECTION

During the period under review, the Group is principally engaged in two business segments, namely biological compound fertiliser and elderly care and health care. In the elderly care and health care business segment, the Group basically has no environmental pollution issue since it is principally engaged in the operation and management of elderly care and health care services and conduct quantitative brainwave testing services. In biological compound fertiliser business segment, the business operation does not have any material impact on the environment due to the business nature of biological compound fertilisers. The subsidiaries of the Group engaged in compound fertiliser have always been focusing on environment protection. The environmental protection data mentioned in this report include Shandong Hidersun and Guangdong Fulilong. During the period under review, Guangdong Fulilong strived to provide relevant environmental protection data, since it rented its production facilities from other compound fertiliser enterprises to manufacture products.

Emissions

In light of the nature of the Group's compound fertiliser 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 and Guangdong Fulilong 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.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) *Emissions of Shandong Hidersun*

During the period under review, the coal-fired boiler in the Shandong Hidersun was discontinued in February 2017 and dismantled in April 2017. The hot blast furnace was discontinued in May 2017 and dismantled in June 2017 so as to reduce the environmental pollution in the region. Shandong Hidersun no longer produces coal-fired boiler waste gas since using natural gas after suspending the use of coal-fired steam generators and hot blast furnace. Waste gases exhausted by Shandong Hidersun is mainly from production workshop, the waste gases generated from tower workshop and rotary drum workshop are treated with "gravity sedimentation + whirlwind dust removal" and "whirlwind dust collector" respectively. No pollution was generated from coal-fired boiler since Shandong Hidersun discontinued the coal-fired boiler operation. The waste water generated by Shandong Hidersun is mainly domestic sewage which is entrusted to Shandong Changle Salcon Raw Water Company Limited (山東昌樂實康水業有限公司) to dispose of. No boiler ash was generated from coal-fired boiler since Shandong Hidersun discontinued the coal-fired boiler operation. General solid waste, the dust collected from dust collector and waste packaging bags, is treated with effective comprehensive utilisation and treatment methods to achieve the comprehensive utilisation of solid waste in the whole plant.

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.

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 (《中華人民共和國固體廢物污染環境防治法》) 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 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 (《工業企業廠界環境噪聲排放標準》) (GB12348-2008).

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Hidersun (continued)

Table of Pollutant Output and Emissions of Shandong Hidersun in 2017

Waste category	Waste description	Pollutant output(t)	Pollutant emission volume(t)	Emission per unit product (kg/t)
Waste gas	Soot dust	15	0.75	0.021
	Tower compound and mixed fertiliser dust	83	1.77	0.051
	Rotary drum compound and mixed fertiliser dust	39	0.9	0.03
	SO_2	10	1.56	0.024
	NO_x	0.5	0.5	0.0077
	Ammonia	0.81	0.07	0.001
	Greenhouse(CO_2)	4,631.68	4,631.68	71.26
Waste water	Domestic sewage	2,200	2,200	15.17t per capita per annum
	COD	0.38	0.38	5.85kg per capita per annum
	Ammonia and nitrogen	0.13	0.13	2kg per capita per annum
General solid waste	Household garbage	39.5	39.5	272kg per capita per annum
	Dust collection from dust collector	119.33	0	0
	Waste packaging bags	0.25	0.25	3.85g/t
Hazardous waste	Used engine oil	0.1t	–	–
	Oily waste cloth and gloves	0.01	0.01	–

1. The single displacement of compound fertiliser and compound and mixed fertiliser dust is calculated according to their respective capacity and the residual value is calculated according to the comprehensive capacity;

2. The Company currently has 145 staff with per capita greenhouse gas (CO2) emission of 31.94 tons;

3. Oily waste cloth and gloves are not managed according to hazardous waste standard.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Hidersun (continued)

Table of Generation and Control of Pollutants of Shandong Hidersun in 2017				
Pollutants		Annual output(t)	Treatment measures and efficiency	Annual emissions(t)
Waste gas	Soot dust	15	Water film dust removal 95%	0.75
	SO_2	10	Alkaline desulphurisation 85%	1.56
	NO_x	0.5	–	0.5
	Tower compound and mixed fertiliser dust	83	Gravity sedimentation + whirlwind dust removal	1.77
	Rotary drum compound and mixed fertiliser dust	39	Whirlwind dust collector	0.9
	Greenhouse gas(CO_2)	4,631.68	–	4,631.68
Waste water	Domestic sewage	2,200	Entrust Shandong Changle Salcon Raw Water Company Limited to dispose of	2,200
	COD	0.38		0.38
	Ammonia and nitrogen	0.13		0.13
General solid waste	Household garbage	39.5	Environmental sanitation and clearing	0
	dust collection from dust collector	119.33	Return to production system	0
	Waste packaging bags	0.25	Collect for external sales	0
Hazardous waste	Used engine oil	0.1	Entrust Shandong Qingdao Jiaoyang Chemical Co., Ltd. (青島膠洋化工有限公司) to dispose of	0
	Oily waste cloth and gloves	0.01	Dispose to Household garbage for environmental sanitation and clearing	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)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong

During the period under review, Guangdong Fulilong rented the production lines in Hongwuwo village, Hongmei Town, Dongguan from Guangdong Lvzhou Fertilizer Industry Company Limited (廣東綠洲肥業有限公司) for production, and has established a sound environmental management system. This improves the internal environmental management system, strengthens daily environmental management, and implements the whole environmental management process during the entire production process. It also prevents environmental pollution issue from happening during the production process and safeguards the environment. According to the Guiding Opinions on Implementing Differentiated Environmental Protection Admission and Promoting Coordinated Development in the Region (Yue Huan [2014] No. 27) (《關于實施差別化環保准入促進區域協調發展的指導意見》(粵環[2014]27號)) and Notice of Supporting Environmental Protection Policies for the Planning of Main Functional Zoning in Guangdong Province (Yue Huan [2014] No.7) (《廣東省主體功能區劃規劃的配套環保政策的通知》(粵環[2014]7號)), the Optimal Development Zone (core zone) of Pearl River Delta shall reach the international advanced standard of clean production. Guangdong Fulilong is located in Hongmei Town, Dongguan and belongs to the Optimal Development Zone (core zone) of Pearl River Delta. It has already reached the international advanced standard of clean production, and complies with the clean production standard requirements of Yue Huan [2014] No. 27 and Yue Huan [2014] No. 7.

Guangdong Fulilong is strict compliance with the emission volume and standards requirements stipulated by relevant laws and regulations. The relevant emission standards that it has complied with mainly include: the surface water environment quality standard that executes the Type III water standard of Environmental Quality Standard for Surface Water (《地表水環境品質標準》) (GB3838-2002); corporate environment air quality standard: SO2, NO2, PM10, TSP that execute the Mid-Level 2 standard of Ambient Air Quality Standard (《環境空氣質量標準》(GB3095-2012)), NH3 that executes the maximum allowable concentration of harmful substances in the atmosphere of residential area of the Standards for the Design of Industrial Enterprises (《工業企業設計衛生標準》(TJ36-79)), conveying, weighing, pelletising, melt-mixing, cooling process exhaust vent: particulates execute the second period of second stage emission limits of Emission Limits of Air Pollutants (《大氣污染物排放限值》(DB44/27-2001)) of Guangdong Province, ammonia executes Table 2 standard value of odor emission of Emission Standards for Odor Pollutants (《惡臭污染物排放標準》(GB14554-93)), conveying, weighing, granulation, melt-mixing, cooling process floating exhaust: sparticulates execute the second period of second stage floating emission monitoring concentration limits of Emission Limits of Air Pollutants (《大氣污染物排放限值》(DB44/27-2001)) of Guangdong Province, ammonia executes Table 1 Odor pollutant factory boundary class two new expansion of the standard value of Emission Standards for Odor Pollutants (《惡臭污染物排放標準》(GB14554-1993)). Sound environmental quality standard of the company: executes Type 3 standard of Environmental Quality Standard for Noise (《聲環境品質標準》 (GB3096-2008)), Type 3 standard of Emission Standard for Industrial Enterprises Noise Boundary (《工業企業廠界環境噪聲排放標準》) (GB12348-2008); The solid waste stored in the factory meets the requirements of 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).

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong (continued)

Table of Guangdong Fulilong Pollutant Output and Emissions in 2017

Waste category	Waste description	Pollutant output (t)	Pollutant emission volume (t)	Emission per unit product (kg/t)
Waste water	COD	1.04	1.04	6.47kg/head/year
	Ammonia and nitrogen	0.34	0.34	2.15kg/head/year
	Domestic sewage	2,400	2,400	15t/head/year
Waste gas	Rotary drum compound and mixed fertiliser dust	46.3	0.99	0.031
	Tower compound and mixed fertiliser dust	138.9	2.64	0.044
	Soot dust	24	1.33	0.022
	Greenhouse gas (CO_2)	6,467.62	6,467.62	70.3
	SO_2	16.53	1.98	0.022
	NOx	0.558	0.558	0.0062
	Ammonia	1.05	0.09	0.001
Solid waste	Household garbage	39	39	243.8kg/head/year
	Dust collection by dust collectors	120.38	0	0
	Waste packaging bags	0.74	0.74	4.62g/t
Hazardous waste	Used engine oil	0.22	–	–

1. Household garbage includes waste papers, cloth, gloves and other articles used in production process;

2. The Company currently has 160 employees.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong (continued)

Table of Guangdong Fulilong Pollutant Output and Governance in 2017				
Pollutants		Annual output (t)	Treatment measures and efficiency	Annual emissions (t)
Waste water	COD	1.04	Entrust Shenzhen Donghong Environmental Protection Co., Ltd.* (深圳市東虹環保有限公司) to dispose of	1.04
	Ammonia and nitrogen	0.34		0.34
	Domestic sewage	2,400		2,400
Waste gas	Rotary drum compound and mixed fertiliser dust	46.3	Cyclone dust collectors 97.86%	0.99
	Tower compound and mixed fertiliser dust	138.9	Gravity precipitation + whirlwind dust collection 98.10%	2.64
	Soot dust	24	Water film dust removal 94.46%	1.33
	Greenhouse gas (CO_2)	6,467.62	–	6,467.62
	SO_2	16.53	Alkaline desulphurization 88.02%	1.98
	NOx	0.558	–	0.558
	Ammonia	1.05	Physical absorption 91.43%	0.09
Solid waste	Household garbage	39	Environmental sanitation and clearing	0
	Dust collection by dust collectors	120.38	Return to production system	0
	Waste packaging bags	0.74	Collect for external sales	0
Hazardous waste	Used engine oil	0.22	Entrust Dongguan Guanfa Renewable Resources Recovery Co., Ltd.* (東莞市莞發再生資源回收有限公司) to dispose of	0

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources

(I) *Use of resources of Shandong Hidersun*

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, steam was provided by Changle Shengshi thermoelectric Co., Ltd.（昌樂盛世熱電有限責任公司）in 2017.

In order to reduce raw and auxiliary materials consumption, it formulated the directional control documents and systems including 2017 Annual Work Plan of the Production System, Product Quality Control and Its Standards, Rewards and Punishments Standards on Production Energy-Saving and Consumption-Reduction Indicators, Rewards and Punishments Plan on Workshop Re-feeding and Inventory Digestion Unqualified Party, and Tower Production of Urine-based Technology Indicators according to the actual production plan and needs. To reduce the consumption of water, electricity and steam and other energy sources, the Company also formulated the Rewards and Punishments Standards on Production Energy-Saving and Consumption-Reduction Indicators and Rewards and Punishment System for Rationalisation and other systems, as well as promulgation of the Doing Minor Things Start from Me initiatives. The Company suspended the coal-fired steam boiler and use natural gas instead of coal-fired hot blast to reduce pollutions in the region.

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

(I) Use of resources of Shandong Hidersun (continued)

Information table of raw and auxiliary materials and energy consumption of Shandong Hidersun in 2017			
Major raw and auxiliary materials and energy	**Unit**	**Annual consumption (t)**	**Per unit product consumption (kg/t)**
Urea	Tower workshop	13,121.7	374.9
Mono-ammonium phosphate		6,383.5	182.4
KCl		3,546.4	101.3
Potassium phosphate		10,639.2	304
Fillers		1,773.2	50.7
Anti – bonding agent		141.9	4.1
Electricity		6,060 kwh	17.3kwh/t
Steam from external purchase		6,446 m^3	184.2
Packaging bags		886,606 pieces	25.3 piece/t
Urea	Rotary drum workshop	6,942.9	231.4
Mono-ammonium phosphate		12,074.7	402.5
KCl		4,528	150.9
Potassium phosphate		4,530	151
Fillers		2,113	70.4
Anti – bonding agent		120.7	4
Electricity		4,000 kwh	13.3kwh/t
Steam from external purchase		2,798.9	93.3
Natural gas		126,621m^3	4.2 m3/t
Anthracite		230	7.7
Packaging bags		754,673	25.2/t
Water	Kiln Room	740 m3	–
Electricity		2,954kWh	–
Bituminous coal		84	–
sodium hydroxide solution		0.8	–
Water	Living and office	5,300 m^3	36.55t per capita per annum
Electricity		0.06 million kwh	413.8kwh per capita per annum

1. The coal-fired boiler was discontinued in February 2017 and dismantled on 29 April 2017 and the hot blast furnace was discontinued in May 2017 and dismantled in June 2017.

2. The cost of living and office is calculated based on per capita consumption and the amount of water used for living and office water contains greening and dust suppression water. The bag damage rate is 1% and actual package is 50kg/bag, the weight of packaging bag is 0.15kg/piece.

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

(I) Use of resources of Shandong Hidersun (continued)

The total energy consumption including water, electricity and steam by Shandong Hidersun was reduced in 2017, the main scheme adopted and the implementation effect are shown in the following table:

Implementation effect table of energy-saving and consumption-reduction scheme of Shandong Hidersun in 2017

Title of scheme	Scheme introduction	Investment (In RMB millions)	Implementation effect: Environmental effect	Implementation effect: Economic effect
Dismantled coal-fired steam boiler, and use external supply steam supply	Discontinued the 10t/h coal-fired steam boiler, steam was provided by Changle Shengshi Thermoelectric Co., Ltd., for meeting the needs of air supply pressure and temperature	0.02	Reduce coal consumption of 2,178 tons, can reduce soot dust emission of 3.45t/a, reduce SO_2 emission of 6.65t/a, reduce NOx emission of 2.4t/a, when compared with 2016	–
Turning rotary drum combustion furnace to natural gas furnace	Discontinued and demolished anthracite burning hot blast furnace, use natural gas fired hot blast furnace instead	0.005	Reduce anthracite consumption of 200 tons, reduce soot dust emission of 0.02t/a, reduce SO_2 emission of 0.06t/a, reduce NOx emission of 0.05t/a, when compared with 2016	–
Rotary drum dust removal improvement	The original rotary drum production line using gravity dust removal + whirlwind dust removal + spray mode, due to longer running time, processing efficiency is reduced, thus it was improved according to the actual situation by discontinued the gravity dust removal and use the whirlwind dust removal	0.008	Reduce dust emission of 0.15t/a	–

Note: After the implementation of energy-saving and consumption-reduction scheme in 2016, the greenhouse gas emission volume of the Company was 6,033.51 tons, equivalent to the unit product emission volume of 129.75kg CO2/t product. The greenhouse gas emission volume of the Company in 2017 was 4,631.68 tons, decreased by 1,401.83 tons when compared with the same period of 2016. The unit product emission volume was reduced to 58.49 kg CO2/t product, down by 45.08%.

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

(II) Use of resources of Guangdong Fulilong

The major raw and auxiliary materials required for production in Guangdong Fulilong are urea, mono-ammonium phosphate, KCl, filling (calcium carbonate). The main energies are water, electricity and steam, and steam was purchased from Guangdong Lvzhou Fertiliser Industry Company Limited. In order to reduce raw and auxiliary materials consumption, it formulated the directional control documents and systems including 2017 Annual Work Plan of the Production System, Product Quality Control and Its Standards, Rewards and Punishments Standards on Production Energy-Saving and Consumption-Reduction Indicators, Rewards and Punishments Plan on Workshop Re-feeding and Inventory Digestion Unqualified Party, and Technical Index of Tower Production according to the actual production plan and needs. In order to reduce the consumption of water electricity and steam and other energy sources, the Company also formulated the Rewards and Punishments Standards on Production Energy-Saving and Consumption-Reduction Indicators and Rewards and punishment System for Rationalisation and other systems. The Company aims to be thrifty, and starts from itself.

Table of Guangdong Fulilong Raw and Auxiliary Materials and Energy Input in 2017

Major raw and auxiliary materials and energy	Auxiliary materials generation unit	Annual consumption (t)	Per unit product consumption (kg/t)
Urea	Tower workshop	23078.9	384.6
Mono-ammonium phosphate		11,855.8	197.6
Binary compound fertilisers		17,238.7	287.3
KCl		8,411.8	140.2
Hardening-proof agent		210.1	3.6
Fillers		278.2	46.2
Packaging bags		1,410,364 pcs	23.5 pcs/t
Electricity		1,005,000 kwh	16.7 kwh/t
Outsourced steam		10,942 m^3	182.4 dm^3
Urea	Drum workshop	8,720.6	267.6
Mono-ammonium phosphate		10,675.5	327.6
Binary compound fertilisers		6,885.9	211.3
KCl		3,966.0	121.7
Hardening-proof agent		120.6	3.7
Fillers		2,395.1	73.5
Electricity		481,000 kwh	14.7 kwh/t
Outsourced steam		3,104 m^3	94.7 dm^3
Water	Domestic and office space	5,599.5	37.33t/head/year
Electricity		112,000 kwh	748.7kwh/head/year

Note: Per unit consumption in domestic and office space is calculated on a per capita basis. Domestic and office water consumption includes those used for greening dust suppression.

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

(II) Use of resources of Guangdong Fulilong (continued)

Implementation effect table of energy-saving and consumption-reduction scheme of Guangdong Fulilong in 2017				
			Implementation effect	
Title of scheme	Scheme introduction	Investment (In RMB millions)	Environmental effect	Economic effect
Tower system maintenance	Conducted repair and maintenance on the tower system which has been used for several years	0.05	Reduce the emission of particulates and ammonia, reduce solid waste generation	Save steam and relevant expenses
Bag dust removal system maintenance	Bag replacement	0.03	Better dust collection, block dust, so that the filtered gas is more purified	Recycle more dust for production to save cost
Gravity sedimentation chamber maintenance	Conducted repair and maintenance on the gravity sedimentation chamber which has been used for several years	0.035	Repair and maintenance may avoid gravity sedimentation chamber malfunction and reduce environmental pollution caused by malfunction	Recycle more dust for production to save cost
Acid spray system maintenance	Conducted repair and maintenance on the spray system which has been used for several years	0.035	Repair and maintenance may reduce ammonia emission, reduce solid waste generation	–
Electricity saving reformation	Promoted energy-saving lamps to enhance employees' awareness	0.01	Energy-Saving and Consumption-Reduction	Save electricity energy and relevant expenses

ENVIRONMENTAL PROTECTION *(continued)*

Environment and Natural Resources

With China's rapid industrialisation progress, productivity level continues to increase, the capabilities of the supply and demand of environmental resources and waste tolerance level gradually declined, and ecological environment and natural resources have become important endogenous variables and rigid constraints for economic development. The Group is in strict compliance with the "Clean Production Promotion Law of the People's Republic of China", and advocates 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, minimise the possible operation impact on environment on a best effort basis, and keep enhancing the operation standard of operators and the management standard of production equipment to ensure the reliable operation of equipment. Also, it will continue to 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.

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 realisation and improvement of employee value would benefit the Company in accomplishing its overall objectives. The Company highly recognises 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 minimise hazards on employee health to the greatest extent. Meanwhile, the Group organises 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 organises 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 2017, the Group has 643 employees in total (excluding those under the labour system but include the employees in Tianjin Alpha), and the male and female ratio is 67:33. 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 24, with a recruitment rate of 3.7%. The number of employees resigned was 32, with a resignation rate of 5.0%.

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	4	5	1	12
Persons in charge of departments:	4	16	14	8	0	42
General employees:	31	175	179	177	27	589
Total	**35**	**193**	**197**	**190**	**28**	**643**

Years of service structure (years)	Below 5	6-10	11-15	16-20	Over 20	Total
Persons in charge of companies:	7	2	1	1	1	12
Persons in charge of departments:	27	10	5	0	0	42
General employees:	317	186	66	20	0	589
Total	**351**	**198**	**72**	**21**	**1**	**643**

Education background structure	Master degree And higher	Undergraduate	Junior college	High school and below	Total
Persons in charge of companies:	6	4	1	1	12
Persons in charge of departments:	0	18	19	5	42
General employees:	3	58	96	432	589
Total	**9**	**80**	**116**	**438**	**643**

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 multiformat 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 23,865 hours with 745 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 categorised by level are as follows:

	Training Headcount	Average Training Hours (hour/person)	Total Training Hours (hour)
Principal of the Company	17	62	146
Head of Department	6	40	240
General employees	722	85	23,479
Total	**745**	**187**	**23,865**

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 organised 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 Group 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 organise 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 organise 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 standardised 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 and Service Standard

The Group has all along been placing great emphasis on product safety for a long period of time. 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, as for the biological compound fertiliser products, the Group has always been adhering to the stringent product quality control and enjoyed sound reputation in the industry. The Group's quality control for compound fertiliser products 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 Fertiliser (Complex Fertiliser) to ensure ex-factory products are in compliance with the quality requirements. During the period under review, for the Group's healthy pension business, Shanghai Muling, a subsidiary of the Company, is a management institution on elderly care services designed specifically for seniors with complete or partial disability or dementia in mainland China, its standardised projects for elderly day care services was awarded by Shanghai Quality and Technical Supervision Bureau (上海市質量技術監督局) as the "First Batch of Standardised Pilot Projects on Social Management and Public Services in Shanghai in 2014 (《2014年第一批上海市社會管理和公共服務標準化試點項目》), and it became one of the fourth batch of comprehensive standardised pilot projects on social management and public services in China in 2017. Shanghai Muling is a "Supervisory and Advisory Organisation on Elderly Care Service Management (養老服務管理督導與諮詢機構)" designated by Shanghai Civil Affairs Bureau, and is qualified to rate other elderly care organisations in Shanghai. Various publications written by Shanghai Muling, including "Quality Control Manual for Elderly Care Service Organisation (ISO9001 Quality Management Systems for Elderly Care Organisations) (《養老服務機構質量管理手冊》(養老機構 ISO9001質量管理體系)), "Practical Manual for Management of Elderly Care Organisations in Pudong New Area(《浦東新區養老機構管理實用手冊》), "Practical Manual form Management of Elderly Day Care Centers in Pudong New Area (《浦東新區老年人日間照護中心管理實用手冊》) and "Training Materials for Superintendents of Elderly Care Organisations (《養老機構院長培訓教材》) were promoted as materials for vocational and technical training in elderly care industry and became industry norms of elderly care services in Shanghai and surrounding areas.

ENVIRONMENTAL PROTECTION *(continued)*

Consumer Services

Upholding the principle of honesty and trustworthiness, we endeavor to provide product information and good services to customers and consumers.

During the period under review, the Group thought highly of agrochemical services to consumers targeting at compound fertilisers 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 fertilisers under the guidance of agricultural technical staff to adjust and solve the conflicts between crop fertilisers and soil fertilisers. 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 fertilisers, but also provide targeted agriculture and fertiliser 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.

During the period under review, in response to the requirements outlined in "13th Five-Year National Plan for Developing Undertakings for the Elderly and Establishing the Elderly Care System ("十三五國家老齡事業發展和養老體系建設規劃"), the Company adjusted its strategic direction by proactively creating an industrial holding platform comprising medical services and elderly care services, which targets the seniors with complete or partial disability or dementia where there are strong demands and a high barrier in terms of service technology to expand the health care and elderly care businesses of the Group through integrating the medical services into the elderly care services. Shanghai Muling, a subsidiary of the Company, manages 6 elderly homes and 27 day care centers across 4 major central districts in Shanghai (Pudong New Area, Jing'an District, Putuo District and Huangpu District), and in Yunnan and Xinjiang. The elderly homes accommodate a total of 3,000 beds and the care centres can serve 750,000 seniors in the neighborhood under the management of Shanghai Muling. The seniors are aged 88 or above in average in the elderly homes, whereas aged 80 or above for the individuals attend the community day care centers. Most of the attendees are the seniors with complete or partial disability or dementia. The Group actively carries out its public welfare activities through volunteer services, safety knowledge education, first aid skills training and prevention of emergencies for the elderly. It has also continued to improve the spiritual care, psychological counseling and crisis intervention service network for the elderly and urged family members to step up their efforts on elderly people's emotional care and psychological communication. Relying on social professional service agencies, professional psychologists and social workers to carry out mental health services for the elderly, the Group provides psychological care and spiritual care for the elderly.

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 major technological research and development as well as infrastructure projects 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.

ENVIRONMENTAL PROTECTION *(continued)*

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, organises 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. In particular, since the Group is engaging in the elderly care operation business, we have been vigorously promoting the development of community-based elderly care services through the establishment of community-based day care centres and other elderly care institutes to support family endowment and grown-up children living with their elderly parents. Through visiting living alone elderly, empty nest elderly families, the Group aims to help the elderly to solve practical difficulties, with constant innovative service model for the elderly in providing personalised professional services.

Looking forward, the management of the Company deeply understand that "enterprises that actively undertake social responsibility are the most competitive and viable enterprises". Thus, 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, continue to improve the performance of stakeholders such as communities, employees, suppliers and governments, and pay more attention to the responsibilities of stakeholders such as the environment, social organisations and customers. Through constantly strengthening the communications with stakeholders and let our enterprise and stakeholders develop altogether. We will also create more values to stakeholders and realise the quality, environment and safety management systematisation, normalisation and standardisation. 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, integrate the poverty relief and the development of charitable activities with the Company's own production and operation, to contribute actively to the Company and the society in synergetic development.

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
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 70 to 144, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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 23 in the Group's financial statements.

The Group has trade receivables of approximately RMB58.1 million as at 31 December 2017 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 RMB16.0 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 RMB42.1 million were due from a number of independent customers that have a good track record with the Group and hence assessed by management to be recoverable in full. 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 goodwill and intangible asset

Refer to note 15 and 17 in the Group's financial statements and critical accounting estimates and assumptions in relation to the impairment of goodwill and intangible asset set out in notes 5(a)(v) and 5(b)(i) respectively.

As at 31 December 2017, the Group had goodwill and intangible asset amounting to approximately RMB12.1 million and RMB262.1 million, respectively relating to its cash-generating units (the "CGUs") within the segment of elderly care and health care services.

Management has performed impairment test on the goodwill and intangible asset in accordance with the Group's accounting policies and concluded that there was no impairment in respect of goodwill and intangible asset as at 31 December 2017. This assessment was based on the value-in-use calculations. We have identified impairment assessment of goodwill and intangible asset as a key audit matter because of its significance to the consolidated financial statements and because the value-in-use calculations involve significant management judgement and estimates with respect to the underlying cash flows, in particular the revenue growth from electroencephalography ("EEG") detection services, number of customers to be served for EEG detection services and revenue from service contracts to be signed for consultation and operation assessment services.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of goodwill and intangible asset included:–

- considering and assessing the historical accuracy of management's budgeting processes;

- evaluating the independent valuer's competence, capabilities and objectivity;

- conducting in-depth discussions with management and the independent valuer about the cash flow projections used in the value-in-use calculations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculations;

- benchmarking the growth rates and discount rates used in the value-in-use calculations against independent industry data and comparable companies; and

- engaging other external valuation specialist to assist us in evaluating and assessing the appropriateness of the key assumptions used in the value-in-use calculations.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Accounting for business combination and acquisition of a subsidiary that is not business

Refer to note 36 in the Group's financial statements and accounting policies set out in note 4(a) respectively.

During the year ended 31 December 2017, the Group has completed two equity transfers with independent third parties to acquire the equity interests in Shu Ju Ku Greater China Limited and Shanghai Muling Elderly Care Investment Management Company Limited at considerations of approximately RMB140.8 million and RMB14.2 million respectively. For the purpose of initial accounting for the business combination, fair value estimation was performed by management, assisted by an independent valuer, to determine the fair value of identifiable assets acquired and liabilities assumed. For the purpose of initial accounting for the acquisition of a subsidiary that is not business, fair value estimation was performed by management, assisted by an independent valuer, to determine the fair value of intangible asset acquired. The primary elements of the fair value estimations were to assess the fair values of the business of elderly care and healthcare services and licences for EEG detection services. We have identified the accounting for business combination and acquisition of a subsidiary that is not a business as a key audit matter because of its significance to the consolidated financial statements and because the fair value estimations involve significant management judgement and estimates with respect to the determination of fair value of the identifiable assets acquired and liabilities assumed for business combination and fair value of intangible assets acquired for acquisition of a subsidiary that is not business.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's fair value estimations of the identifiable assets acquired and liabilities assumed and intangible assets acquired included:–

- analysing the equity transfer agreements to ensure the terms and conditions contained within were appropriately accounted for and reflected in the acquisition accounting;
- evaluating the independent valuer's competence, capabilities and objectivity;
- assessing the valuation methodologies used by management and the independent valuer;
- conducting in-depth discussions with management and the independent valuer about the cash flow projections used in the fair value estimations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the fair value estimations;
- benchmarking the key assumptions and discount rates used in the fair value estimations against independent industry data and comparable companies; and
- engaging other external valuation specialist to assist us in evaluating and assessing the valuation methodologies and the appropriateness of the key assumptions used in the fair value estimations.

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.

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

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.

- 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.

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

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
Ng Wai Man
Practising Certificate No. P05309

Hong Kong, 26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB	2016 RMB
Revenue	7	**375,906,530**	389,278,236
Cost of sales		**(322,701,103)**	(310,472,561)
Gross profit		**53,205,427**	78,805,675
Other income and (losses)/gains, net	8	**(5,377,946)**	871,180
Selling and distribution costs		**(14,755,804)**	(20,495,906)
Administrative expenses		**(36,227,996)**	(30,739,780)
Research and development expenses		**(9,294,266)**	(11,499,384)
Finance costs	9	**(3,699,137)**	(3,580,769)
Impairment loss of intangible asset		**(999,266)**	–
Gain on deemed disposal of an associate		**1,995,152**	–
Share of loss of an associate	19	**(5,303,132)**	(3,915,132)
(Loss)/profit before income tax	9	**(20,456,968)**	9,445,884
Income tax	10	**(826,716)**	(4,496,331)
(Loss)/profit for the year		**(21,283,684)**	4,949,553
(Loss)/profit and total comprehensive income for the year		**(21,283,684)**	4,949,553
Attributable to:			
Owners of the Company			
– (Loss)/profit for the year		**(13,752,052)**	5,970,713
Non-controlling interests			
– Loss for the year		**(7,531,632)**	(1,021,160)
		(21,283,684)	4,949,553
(Loss)/earnings per share			
– Basic and diluted	12	**(0.82)**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB	2016 RMB
Non-current assets			
Property, plant and equipment	14	**69,898,228**	63,954,656
Goodwill	15	**12,149,807**	–
Intangible asset	17	**262,145,201**	–
Interest in an associate	19	**13,452,085**	16,760,065
Prepaid land lease payments	20	**10,686,887**	8,043,528
Prepayments and other receivables	24	**12,274,365**	–
Amount due from an associate	25	**11,389,137**	–
Other financial assets	21	**8,263,711**	–
Total non-current assets		**400,259,421**	88,758,249
Current assets			
Inventories	22	**92,699,923**	68,465,182
Trade and bills receivables	23	**107,490,288**	89,830,445
Prepayments and other receivables	24	**69,342,030**	116,116,280
Amount due from an associate	25	**493,907**	10,714,166
Cash and bank balances	26	**37,592,277**	85,743,326
Total current assets		**307,618,425**	370,869,399
Total assets		**707,877,846**	459,627,648
Current liabilities			
Trade payables	27	**22,123,954**	15,998,214
Other payables and accruals	28	**41,566,505**	26,837,855
Amount due to a director	29	**50,000**	–
Amount due to a shareholder	30	**2,512,595**	–
Other financial liabilities	31	**26,633,200**	25,389,100
Current tax liabilities		**191,801**	2,019,285
Bank borrowings	32	**40,000,000**	40,000,000
Total current liabilities		**133,078,055**	110,244,454
Net current assets		**174,540,370**	260,624,945
Total assets less current liabilities		**574,799,791**	349,383,194
NET ASSETS		**574,799,791**	349,383,194

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB	2016 RMB
Capital and reserves attributable to owners of the Company			
Share capital	33	**169,500,000**	159,500,000
Reserves	34	**253,453,962**	166,407,671
Equity attributable to owners of the Company		**422,953,962**	325,907,671
Non-controlling interests	35	**151,845,829**	23,475,523
TOTAL EQUITY		**574,799,791**	349,383,194

On behalf of the Board

Sun Li
Director

Hao Zhihui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital Note 33 RMB	Share premium Note 34(i) RMB	Surplus reserve Note 34(ii) RMB	Capital reserve Note 34(iii) RMB	Other reserve Note 34(v) RMB	Retained earnings/ (Accumulated losses) Note 34(iv) RMB	Attributable to owners of the Company RMB	Non-controlling interests Note 35 RMB	Total RMB
Balance as at 1 January 2016	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
Loss and total comprehensive income for the year	–	–	–	–	–	(13,752,052)	(13,752,052)	(7,531,632)	(21,283,684)
Issue of new shares	10,000,000	100,798,343	–	–	–	–	110,798,343	–	110,798,343
Acquisition of subsidiaries	–	–	–	–	–	–	–	135,901,938	135,901,938
Balance as at 31 December 2017	169,500,000	255,466,214	3,717,696	2,541,404	(22,032,403)	13,761,051	422,953,962	151,845,829	574,799,791

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB	2016 RMB
Cash flows from operating activities			
(Loss)/profit before income tax		**(20,456,968)**	9,445,884
Adjustments for:			
Amortisation of prepaid land lease payments		**194,565**	189,827
Amortisation of an intangible asset		**12,941,531**	–
Depreciation		**7,439,934**	8,673,011
Interest expense		**3,699,137**	3,580,769
Interest income		**(121,870)**	(374,159)
Provision for bad debt of trade and other receivables		**8,100,592**	3,515,611
Provision for obsolete stock, net		**368,558**	596,717
Fair value loss on other financial assets at fair value through profit or loss		**7,320,694**	–
Provision for impairment loss of intangible asset		**999,266**	–
Loss/(gain) on disposal of property, plant and equipment		**512,588**	(90,968)
Gain on deemed disposal of an associate		**(1,995,152)**	–
Share of loss of an associate		**5,303,132**	3,915,132
Operating cash flows before working capital changes		**24,306,007**	29,451,824
(Increase)/decrease in inventories		**(24,603,299)**	21,315,624
Increase in trade and bills receivables		**(25,772,265)**	(14,948,118)
Decrease/(increase) in prepayments and other receivables		**35,028,635**	(36,340,205)
Increase/(decrease) in trade payables		**6,125,740**	(8,749,722)
Increase in other payables and accruals		**7,374,398**	9,377,639
Increase in amount due to a director		**50,000**	–
Cash generated from operations		**22,509,216**	107,042
Income tax paid		**(2,654,200)**	(5,183,644)
Interest paid		**(2,455,037)**	(2,360,432)
Net cash generated from/(used in) operating activities		**17,399,979**	(7,437,034)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB	2016 RMB
Cash flows from investing activities			
Purchase of property, plant and equipment		**(13,632,716)**	(2,453,751)
Proceeds from disposal of property, plant and equipment		**186,001**	(1,168,878)
Increase in amount due from an associate		**(1,168,878)**	(5,804,698)
Acquisition of prepaid land lease		**(2,842,662)**	–
Acquisition of a subsidiary in business combination	36(a)	**(5,869,722)**	–
Acquisition of intangible asset	36(b)	**(42,344,921)**	–
Interest received		**121,870**	374,159
Net cash used in investing activities		**(65,551,028)**	(7,457,020)
Cash flows from financing activities			
Drawdown of bank borrowings		**40,000,000**	40,000,000
Repayment of bank borrowings		**(40,000,000)**	(45,000,000)
Net cash used in financing activities		**–**	(5,000,000)
Net decrease in cash and cash equivalents		**(48,151,049)**	(19,894,054)
Cash and cash equivalents at beginning of year		**85,743,326**	105,637,380
Cash and cash equivalents at end of year		**37,592,277**	85,743,326
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	26	**37,592,277**	85,743,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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.

The Company and its subsidiaries (hereafter referred to as the "Group") principally engages in manufacture and sale of biological compound fertiliser products, elderly care and healthcare services. The principal activities and other particulars of the subsidiaries are set out in Note 42 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 on 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

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

The adoption of the amendments has no impact on these financial statements as the Group has revolved the banking facilities at the same amount during the year ended 31 December 2017, and there was no movement in liabilities arising from financing activities during the year other than the financing cash flows in respect of bank borrowings presented in the consolidated statement of cash flows.

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2017 *(continued)*

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(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. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

3 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 continue to be permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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 fair value through other comprehensive income ("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 fair value through profit or loss ("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 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.

Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a twelve-month expected credit loss or lifetime expected credit loss, depending on the assets and the facts and circumstances. The directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 might result in earlier provision of credit losses in relation to the Group's trade and other receivables measured at amortised costs.

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

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-step 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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments 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.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

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

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

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

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.

As set out in note 36(b), the Group's total future minimum lease payments under non-cancellable operating leases as at 31 December 2017 was approximately RMB208,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

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

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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 is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and 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 except for other financial asset, which are measured at fair values as explained in the accounting policies set out below.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the 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 financial statements of subsidiaries to bring their accounting policies into 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.

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 interest. 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 interest's 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(i)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) 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% – 33.3%

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized 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.

(f) 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.

(g) Intangible assets

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Licenses	16 years

(ii) *Impairment*

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(h)).

If the recoverable amount 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, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) 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.

(i) 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 or cash generated unit (see note 4(d)), 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 or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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.

(k) 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)*

(k) 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 contact 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) 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.

(l) 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.

(m) Leasing

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.

The total rentals payable under the operating leases 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.

(n) 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)*

(o) Income taxes

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.

(p) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) 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.

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 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) 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) Processing and servicing income is recognised when services are provided.

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

(s) 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.

(t) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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.

(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) Criteria judgement in applying accounting policies

(i) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(ii) 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.

(iii) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(a) Criteria judgement in applying accounting policies *(continued)*

(iv) 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.

(v) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flow from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(b) Key sources of estimating uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Key sources of estimating uncertainty *(continued)*

(ii) Fair value measurement

A number of assets and liabilities included in the Financial Information require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices (unadjusted) in active markets for identical assets/liabilities:

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets/liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets/liabilities that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement of the items above, please refer to the application notes.

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 2017, the Group has two reportable and operating segments. These 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:

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

- Elderly care & health care services– Providing integrated elderly care and health care services

For the year ended 31 December 2016, there was only one business component in the internal reporting to the executive directors, which is manufacture and sales of biological compound fertiliser products. The Group's assets and capital expenditure were principally attributable to this business component. Accordingly, no segment information in respect of the year ended 31 December 2016 is presented in the consolidated financial statements.

6. SEGMENT INFORMATION *(continued)*

(a) Business segments

Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2017 is set out below.

	Year ended 31 December 2017		
	Fertiliser products RMB	Elderly care & Health care services RMB	Total RMB
Revenue from external customers	354,288,504	21,618,026	375,906,530
Inter-segment revenue	–	–	–
Reportable segment revenue	354,288,504	21,618,026	375,906,530
Reportable segment (loss)/profit	(1,156,166)	4,769,041	3,612,875
Interest income	(80,571)	(3,016)	(83,587)
Interest expense	2,455,037	–	2,455,037
Depreciation and amortisation for the year	7,518,003	12,948,074	20,466,077
Impairment loss on trade and other receivables	7,966,304	7,099	7,973,403
Reportable segment assets	388,166,865	277,449,494	665,616,359
Additions to non-current assets during the year	28,723,285	288,433,141	317,156,426
Reportable segment liabilities	90,852,633	785,002	91,637,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

6. SEGMENT INFORMATION *(continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2017 RMB
Revenue	
Total reportable segments' revenue	375,906,530
Elimination of inter-segment revenue	–
Consolidated revenue	375,906,530
Profit/(Loss)	
Total reportable segments' profits	3,612,875
Elimination of inter-segment profit	–
Interest income	38,282
Depreciation and amortisation	(109,954)
Share of loss of associate	(5,303,132)
Gain on deemed disposal of an associate	1,995,152
Finance costs	(1,244,100)
Unallocated corporate expenses	(19,446,091)
Consolidated loss before income tax	(20,456,968)
Assets	
Total reportable segments' assets	665,616,359
Unallocated corporate assets	42,261,487
Consolidated total assets	707,877,846
Liabilities	
Total reportable segments' liabilities	91,637,635
Unallocated corporate liabilities	41,440,420
Consolidated total liabilities	133,078,055

(c) Geographical information and major customers

The Group's revenue from external customers is mainly derived from its operations in the PRC, where most of its non-current assets are located. None of the customers have transactions with the Group which exceeded 10% of the Group's revenue for the year ended 31 December 2017. Revenue attributable from a customer accounted for more than 10% of the Group's revenue for the year ended 31 December 2016. Details of which customer is disclosed in Note 24(i).

7. REVENUE

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

	2017 RMB	2016 RMB
Fertiliser products	**354,288,504**	389,278,236
Elderly care and health care services	**21,618,026**	–
	375,906,530	389,278,236

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

	2017 RMB	2016 RMB
(Loss)/gain on disposal of property, plant and equipment	**(512,588)**	90,968
Government grants (Note 1)	**1,265,507**	423,891
Bank interest income	**121,870**	374,159
Other interest income	**1,168,878**	–
Fair value loss on change of other financial assets	**(7,320,694)**	–
Others	**(100,919)**	(17,838)
	(5,377,946)	871,180

Note 1: 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.

9. (LOSS)/PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after charging:

	2017 **RMB**	2016 RMB
Finance costs		
Interest expense on bank borrowings	**2,455,037**	2,336,669
Interest expense on other financial liabilities	**1,244,100**	1,244,100
	3,699,137	3,580,769
Auditor's remuneration	**1,009,909**	1,324,774
Research and development expenses	**9,294,266**	11,499,384
Cost of inventories recognised as expense	**309,759,572**	310,472,561
Depreciation on property, plant and equipment	**7,439,934**	8,673,011
Amortisation of prepaid land lease payments	**194,565**	189,827
Amortisation of intangible asset (i)	**12,941,531**	–
Allowance for impairment losses on (net):		
– Trade receivables	**8,112,422**	3,512,887
– Other receivables	**(11,830)**	2,724
Operating lease rentals:		
– land and buildings	**3,780,108**	738,123
– equipment	**–**	512,820
Employee costs (including emoluments of directors and supervisors):		
– Wages and salaries	**22,871,594**	20,846,010
– Retirement benefit scheme contributions	**3,358,278**	2,685,076
– Staff welfare and other benefits	**1,374,188**	1,115,260
	27,604,060	24,646,346

Note:

(i) Amortisation of intangible asset is included in cost of sales.

10. INCOME TAX EXPENSE

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

	2017 RMB	2016 RMB
Current tax		
– tax for the year	**493,003**	4,247,558
– under provision in respect of prior years	**333,713**	248,773
	826,716	4,496,331

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated. 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% (2016: 25%), except for the following subsidiaries.

High and New-Tech enterprise certificate was issued on 10 October 2014 and lasted for 3 years, to Guangdong Fulilong Compound Fertilisers Co., Ltd., recognising the entity as a High and New-Tech enterprise according to the PRC tax regulations and hence entitled to a preferential tax rate of 15% (2016: 15%).

Pursuant to the rules and regulations of the Cayman Islands, the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the year ended 31 December 2017 (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

10. INCOME TAX EXPENSE *(continued)*

(a) *(continued)*

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

	2017 RMB	2016 RMB
(Loss)/profit before income tax	**20,456,968**	9,445,884
Calculated at statutory rate of 25% (2016: 25%)	**(5,114,243)**	2,361,471
Tax effect of share of loss of an associate	**1,325,784**	978,783
Tax effect of non-taxable items	**(5,446,348)**	–
Tax effect of expenses not deductible for taxation purposes	**6,476,504**	1,097,004
Tax effect of unused tax losses not recognised	**3,652,828**	3,715,090
Tax rate of differential and preferential tax treatment	**(1,208,833)**	(4,126,921)
Under provision in prior years	**333,713**	248,773
Others	**807,311**	222,131
Income tax	**826,716**	4,496,331

(b) Deferred taxation

At 31 December 2017, the Group has unused tax losses of RMB39.8 million (2016: RMB17.5 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.

11. DIVIDEND

No dividend has been paid nor declared by the Company during the year (2016: Nil).

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:–

	2017 **RMB**	2016 RMB
(Loss)/earnings for the purpose of basic (loss)/earnings per share	**(13,752,052)**	5,970,713
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,674,452,055**	1,595,000,000

The weighted average number of ordinary shares for the year ended 31 December 2017 for the purpose of basic (loss)/earnings per share has been adjusted for the issue of shares on 17 March 2017.

No diluted (loss)/earnings per share is presented as there was no potential ordinary shares in issue during the years ended 31 December 2017 and 2016.

13. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors' and supervisors' emoluments

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

	2017 **RMB**	2016 RMB
Fees	**340,696**	309,315
Salaries and other benefits	**1,457,289**	2,013,340
Retirement benefits scheme contributions	**227,487**	225,690
	2,025,472	2,548,345

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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

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

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
2017				
Ms Sun Li	**–**	**618,552**	**85,487**	**704,039**
Mr Hao Zhihui	**–**	**593,037**	**85,061**	**678,098**
Mr Liu Renmu (ii)	**–**	**50,000**	**–**	**50,000**
	–	**1,261,589**	**170,548**	**1,432,137**
2016				
Ms Sun Li	–	616,052	4,598	620,650
Mr Wang Shuxin (i)	–	616,052	82,264	698,316
Mr Hao Zhihui	–	590,537	82,264	672,801
Mr Liu Renmu (ii)	–	–	–	–
	–	1,822,641	169,126	1,991,767

13. 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:

	Fees emoluments RMB	Retirement benefits scheme contributions RMB	Total RMB
2017			
Mr Feng Enqing	–	–	–
Mr Ou Linfeng (iii)	–	–	–
Mr Chen Yingzhong (vi)	–	–	–
Mr Li Ximing (iv)	36,666	–	36,666
Mr. Cao Aixin (vii)	36,530	1,287	37,817
	73,196	1,287	74,483
2016			
Mr Feng Enqing	–	–	–
Mr Ou Linfeng (iii)	41,355	–	41,355
Mr Chen Yingzhong (vi)	–	–	–
	41,355	–	41,355

Independent non-executive directors:

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

	2017 RMB	2016 RMB
Mr Guan Tong (i)	–	41,355
Mr Chan Kin Sang (i)	–	155,250
Mr Wu Chen (i)	–	41,355
Mr Li Xudong (iv)	73,333	–
Mr Duan Zhongpeng (v)	60,000	–
Ms Gao Chun (iv)	73,333	–
Mr. Wang Yongkang (vii)	3,334	–
	210,000	237,960

13. 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
2017			
Ms Yang Chunyan	**99,904**	**28,637**	**128,541**
Ms Liu Jinyu	**95,796**	**27,015**	**122,811**
	195,700	**55,652**	**251,352**
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

Independent supervisors:

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

	2017 RMB	2016 RMB
Mr Gao Xianbiao (i)	**–**	–
Mr Liang Weitao	**30,000**	30,000
Ms Feng Ling (iv)	**27,500**	–
	57,500	30,000

(i) Retired on 31 December 2016
(ii) Appointed on 14 October 2016 and relocated as an executive director on 1 January 2017
(iii) Resigned on 9 August 2016
(iv) Appointed on 1 January 2017
(v) Appointed on 1 January 2017 and resigned on 27 September 2017
(vi) Resigned on 27 September 2017
(vii) Appointed on 16 November 2017

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

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

Salaries and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' others services in connection with the management of the affairs of the Company and its subsidiaries.

(b) Five highest paid individuals

The five highest paid individuals of the Group included two and two executive directors for the years ended 31 December 2017 and 2016 respectively, whose emoluments are reflected in note (a).

The analysis of the emoluments of the remaining three and three highest paid individuals for the years ended 31 December 2017 and 2016 respectively, are set out below:

	2017 RMB	2016 RMB
Salaries and other benefits	**269,034**	252,654
Retirement benefits scheme contributions	**55,652**	29,106
Salaries, housing and other allowances	**324,686**	281,760

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

	Number of individuals	
	2017	2016
Nil – RMB832,900 (2016: RMB895,200) (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 (2016: Nil).

None of the directors and supervisors waived any emoluments during the year (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

14. 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 2016	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
Deemed cost from acquisition of SHML	–	–	–	–	50,235	–	50,235
Additions	830,079	–	8,661,247	1,057,771	384,946	3,213,804	14,147,847
Transfers	1,662,160	–	2,716,549	–	–	(4,378,709)	–
Disposals	–	–	(1,294,519)	(2,106,361)	–	–	(3,400,880)
At 31 December 2017	**51,082,975**	**15,488,197**	**61,536,565**	**6,241,540**	**5,447,353**	**1,810,336**	**141,606,966**
Accumulated depreciation							
At 1 January 2016	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 disposal	–	–	–	(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
Charge for the year	1,864,446	105,390	4,319,426	832,489	318,183	–	7,439,934
Written back on disposal	–	–	(635,750)	(1,950,554)	–	–	(2,586,304)
At 31 December 2017	**14,105,794**	**3,823,663**	**43,862,554**	**3,973,361**	**4,133,030**	**1,810,336**	**71,708,738**
Carrying amount							
At 31 December 2017	**36,977,181**	**11,664,534**	**17,674,011**	**2,268,179**	**1,314,323**	**–**	**69,898,228**
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

Note:

(i) At 31 December 2017, the carrying amount of buildings under property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to approximately RMB49 million (2016: RMB49 million) (Note 32).

15. GOODWILL

	2017 RMB	2016 RMB
At 1 January	–	–
Acquired through business combinations	12,149,807	–
At 31 December	12,149,807	–
Accumulated impairment losses		
At 1 January	–	–
Impairment losses recognised in the year	–	–
At 31 December	–	–

Goodwill acquired through business combination has been allocated to the elderly care and health care services segment.

16. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill is allocated to the cash generating unit (the "CGU") identified as follows:

	2017 RMB	2016 RMB
Elderly care services	12,149,807	–

The Group performed its annual impairment test for goodwill allocated to the elderly care services CGU, which is a CGU in the elderly care and health care services segment of the Group, by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGU is determined based on value in use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond the five-year period approved by management have been extrapolated with an estimated general annual growth of 3%. Details of the variables and assumptions were as follows:

Discount rate	11.19%
Operating margin	33.87%-37.21%
Growth rate within the five-year period	8.66%-19.29%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on past experience and expected budget and operation plan.

At the end of the reporting period, the Group's goodwill was not impaired.

17. INTANGIBLE ASSET

	Total RMB
Cost	
At 1 January 2017	–
Additions through acquisition of a subsidiary	276,085,998
At 31 December 2017	276,085,998
Amortisation and impairment	
At 1 January 2017	–
Amortisation	12,941,531
Impairment	999,266
At 31 December 2017	13,940,797
Carrying amount	262,145,201

The intangible asset represented the license for provision of EEG detection service which was recognised upon the acquisition of Shu Ju Ku Greater China, Ltd ("SJKGC") (see Note 36(b)) and was recognised at its fair value at the date of acquisition. It is considered by the management of the Group as having a useful life of 16 years. The intangible asset will be tested for impairment whenever there is an indication that it may be impaired.

18. IMPAIRMENT TESTING ON INTANGIBLE ASSET

For the purpose of impairment testing, intangible asset is identified as belonging to the following CGU:

	2017 **RMB**	2016 RMB
Health care services	**262,145,201**	–

The Group performed its annual impairment test for intangible assets in the health care services CGU, which is a CGU in the elderly care and health care services segment of the Group, by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.89%, which does not exceed the long-term growth rate for the industry in the People's republic of China. The net operating profit after tax attributable to the intangible assets would be expected to reduce from 100% of the projected profits of the CGU at the first seven years after the end of reporting period gradually to 50% of the projected profits of the CGU at the fifteenth year after the end of reporting period, which is the year of expiry of intellectual property rights. Details of the variables and assumptions were as follows:

Discount rate	25.16%
Operating margin	53.53%-59.42%
Growth rate within the five-year period	7.49%-197.84%

The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on past experience.

At the end of the reporting period, the Group's intangible assets were not impaired as the value in use of the CGU exceeded the carrying amounts of its assets and liabilities.

19. INTEREST IN AN ASSOCIATE

	2017 RMB	2016 RMB
Group's share of net assets of the associate	12,232,949	15,540,929
Goodwill	1,219,136	1,219,136
	13,452,085	16,760,065

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	27.76%	Manufacture and sale of sugar-reducing and sugar-free health care products in the PRC

Note:

During the year ended 31 December 2017, the Company's equity interests in Tianjin Alpha was diluted from 33.66% to 27.76% due to injection of capital by three independent third parties in an aggregate amount of RMB17 million to Tianjin Alpha.

* English translation is for identification purposes only.

19. INTEREST IN AN ASSOCIATE *(continued)*

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

	2017 RMB	2016 RMB
As at 31 December Current assets	**65,405,679**	83,577,557
Non-current assets	**19,110,038**	22,511,852
Current liabilities	**40,448,898**	59,919,090
Non-current liabilities	**–**	–
Year ended 31 December Revenue	**62,929,706**	63,599,793
Profit or loss from continuing operations	**19,103,501**	11,631,408
The Group's share of loss of an associate for the year	**5,303,132**	3,915,132

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

	2017	2016
Proportion of the Group's interest in the associate	**27.76%**	33.66%

	2017 RMB	2016 RMB
Group's share of net assets of the associate	**12,232,949**	15,540,929
Goodwill	**1,219,136**	1,219,136
Carrying amount of the Group	**13,452,085**	16,760,065

19. INTEREST IN AN ASSOCIATE *(continued)*

On 16 January 2017, upon additional capital contribution being made by three of the shareholders of Tianjin Alpha, the registered capital of Tianjin Alpha was enlarged from approximately RMB38,000,000 to approximately RMB55,000,000 and the Group's equity interest in Tianjin Alpha was diluted from approximately 33.66% to approximately 27.76%, resulting in a gain on deemed disposal of approximately RMB1,995,152. Immediately upon completion of the capital increase, Tianjin Alpha continued to be classified as an associate of the Group.

20. PREPAID LAND LEASE PAYMENTS

	2017 **RMB**	2016 RMB
Cost		
At 1 January	**9,418,796**	9,418,796
Additions	**2,842,662**	–
At 31 December	**12,261,458**	9,418,796
Accumulated amortisation and impairment		
At 1 January	**1,185,441**	995,614
Charge for the year	**194,565**	189,827
At 31 December	**1,380,006**	1,185,441
Carrying amount		
At 31 December	**10,881,452**	8,233,355
Portion classified as current assets (included in prepayments and other receivables)	**194,565**	189,827
Non-current assets	**10,686,887**	8,043,528
	10,881,452	8,233,355

Note:

The Group whose carrying amounts as at 31 December 2017 was RMB5,658,635 (2016: RMB5,788,971) is in process of applying for the certificates of certain prepaid land lease payments.

21. OTHER FINANCIAL ASSETS

	2017 RMB	2016 RMB
At 1 January	**–**	–
Profit guarantee at fair value	**15,584,405**	–
Fair value change	**(7,320,694)**	–
At 31 December	**8,263,711**	–

Other financial assets represent profit guarantees arising from acquisition of subsidiaries (Note 36(a) and (b)) and are carried at fair value.

On 16 January 2018, the profit guarantee in respect of the year 2017 was waived by the Group.

22. INVENTORIES

	2017 RMB	2016 RMB
Raw materials	**56,047,864**	34,856,542
Finished goods	**27,989,399**	24,515,140
Packaging materials	**12,031,866**	12,094,148
	96,069,129	71,465,830
Less: Provision for inventory obsolescence	**(3,369,206)**	(3,000,648)
	92,699,923	68,465,182

At 31 December 2017, inventories pledged as security for certain of the Group's banking facilities amounted to approximately RMB24 million (2016: RMB23 million) (Note 32).

23. TRADE AND BILL RECEIVABLES

	2017 RMB	2016 RMB
Trade receivables (Note (a))	**123,022,141**	97,529,876
Less: Allowance for doubtful debts (Note (b))	**(16,011,853)**	(7,899,431)
	107,010,288	89,630,445
Bill receivables	**480,000**	200,000
	107,490,288	89,830,445

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, based on invoices date:

	2017 RMB	2016 RMB
Within 3 months	**55,946,440**	42,663,969
More than 3 to 6 months	**23,931,145**	23,245,492
More than 6 to 12 months	**19,383,954**	18,876,486
Over 1 year	**23,760,602**	12,743,929
	123,022,141	97,529,876

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

	2017 RMB	2016 RMB
At 1 January	**7,899,431**	4,386,544
Allowance for impairment loss recognised, net (Note 9)	**8,112,422**	3,512,887
At 31 December	**16,011,853**	7,899,431

23. TRADE AND BILL RECEIVABLES *(continued)*

Notes: *(continued)*

(b) *(continued)*

The above provision for impairment of trade receivables relate to provisions for individually impaired trade receivables of approximately RMB16.0 million (2016: RMB7.9 million) with a carrying amount before provision of RMB16.0 million (2016: RMB7.9 million). The Group recognised impairment loss based on the application of the following criteria established by management of the Group, which take into account both the aging and repayment pattern of trade receivables balances for each customer, as below: -

(i) The trade receivable balance is aged for more than 1 year;

(ii) Settlements are infrequent and insignificant compared to the outstanding balance for the recent 3 years and no settlements are noted subsequent to the date of the reporting period; and,

(iii) No future settlement plan has been agreed or legal action has been taken to the customer.

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 RMB58,176,896 (2016: RMB47,117,411) relating to a number of independent customers that were past due as at balance sheet date. The aging analysis of trade receivables that were past due but not impaired based on the past due date are as follows:

	2017 **RMB**	2016 RMB
Within 3 months	**20,095,995**	18,591,031
More than 3 to 6 months	**10,359,558**	9,282,108
More than 6 to 12 months	**8,212,206**	7,891,760
More than 1 year	**3,497,284**	3,453,081
	42,165,043	39,217,980

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.

24. PREPAYMENTS AND OTHER RECEIVABLES

	2017 RMB	2016 RMB
Current		
Prepayments		
Advanced deposits to suppliers (i)	**66,887,599**	103,929,256
Other prepayments	**194,565**	356,038
	67,082,164	104,285,294
Other receivables	**4,494,019**	14,076,969
Less: allowance for doubtful debts (iii)	**(2,234,153)**	(2,245,983)
	2,259,866	11,830,986
	69,342,030	116,116,280
Non-current		
Prepayments and other receivables (ii)	**12,274,365**	–
	81,616,395	116,116,280

Notes:

(i) Included in advanced deposits to suppliers was a balance with a supplier of RMB9,347,473 (2016: RMB69,041,961). Major transactions with this independent third party mainly included sales of goods of RMB10,609,224 (2016: RMB62,356,492), purchases of finished goods of RMB31,295,564 (2016: RMB75,422,357) and rental charge and meal expense of RMB4,065,835 (2016: RMB1,590,201).

(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. On 4 January, 2017, the Group, the lessor and its associates ceased the legal proceeding. The Group negotiated with the owner of the land lease for the acquisition of the relevant land use right in the current financial year. On 12 September 2017, the Group and the owner of the land lease signed a Cooperative Land Use Right Transfer Agreement in which the Owner of the land lease agreed to transfer the land use right at a consideration of RMB10.8 million with a lease period of 50 years. As at 31 December 2017, deposits and relevant prepayments including direct costs required for the acquisition of the land use right is recorded in the balance sheet. As at the year-end date, the arrangement of transfer of the land use right certificate is in progress. The actual cost incurred for the acquisition of land use right, including the direct costs, would be confirmed once the land use right transfer is agreed.

24. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(iii) Allowance for doubtful debts:

	2017 RMB	2016 RMB
At 1 January	**2,245,983**	2,243,259
Allowance for impairment loss	**–**	2,724
Reversal of bad debt	**(11,830)**	–
At 31 December	**2,234,153**	2,245,983

Other receivables are assessed to be impaired individually at each reporting date and impairment losses of the Group amounting to approximately RMB2.2 million (2016: RMB2.2 million) has been made as at 31 December 2017. 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.

25. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate mainly represented two borrowings of RMB5 million each and the respective interest receivable. The borrowings bear interest at 30% above the 1-year lending rate in the People's Bank of China. The borrowings are guaranteed by the New Investor of Tianjin Alpha, an independent third party, for repayment (refer to Note 44). Interest income generated from 21 September 2015 and 25 February 2016, the grant dates of loans to the end of reporting period has not been received, which interest receivable of RMB1,168,878 has been recognised. According to the renewed loan agreements, interest income from the grant date to 31 December 2017 would be received by the Group in 24 equal monthly instalments starting from 1 January 2018 to 31 December 2019, while the interest income generated from 1 January 2018 to 31 December 2019 together with the principal of RMB10,000,000, will be settled on 31 December 2019. As such, the outstanding interest receivable to be collected in 2018 is classified as current asset, while the outstanding principal and remaining portion of interest receivable is classified as non-current asset.

After excluding the above mentioned loan receivable and respective interest receivable, the remaining balance of RMB714,166 is interest-free, unsecured and repayable on demand.

26. 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 2017, the total cash and bank balances is RMB37,592,277 (2016: RMB85,743,326), which the amount denominated in RMB is RMB37,498,567 (2016: RMB85,518,177). 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 is an amount of approximately RMB4,669,000 (2016: RMB4,791,000) which was restricted for research and development purposes of a subsidiary, Guangdong Fulilong Soil Conditioning and Remediation Institute.

27. TRADE PAYABLES

	2017 RMB	2016 RMB
Trade payables	**22,123,954**	15,998,214

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

	2017 RMB	2016 RMB
Within 3 months	**14,244,564**	7,925,023
More than 3 to 6 months	**2,431,613**	2,080,992
More than 6 to 12 months	**1,812,551**	2,600,535
Over 1 year	**3,635,226**	3,391,664
	22,123,954	15,998,214

28. OTHER PAYABLES AND ACCRUALS

	2017 RMB	2016 RMB
Other payables		
– Consideration payables	**6,500,000**	–
– Others	**11,091,566**	8,869,201
Accruals	**3,786,165**	3,126,522
Receipt in advance	**17,512,100**	11,971,282
Payable to Social Security Fund (i)	**2,676,674**	2,870,850
	41,566,505	26,837,855

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").

29. AMOUNT DUE TO A DIRECTOR

The amount due to a director is interest-free, unsecured and repayable on demand.

30. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is interest-free, unsecured and repayable on demand.

31. OTHER FINANCIAL LIABILITIES

	2017 RMB	2016 RMB
Carrying amount as at end of reporting period (i)	**26,633,200**	25,389,100

Note:

(i) The carrying amounts of other financial liabilities as at 31 December 2017 and 2016 represent the amounts of principal and accrued interest payable upon exercise of options granted by the Group to independent third parties in respect of the disposal transaction of certain equity interests of Tianjin Alpha in 2014 which became exercisable when Tianjin Alpha was not listed on the New Over the Counter Market, an over-the-counter board in China, by the end of 31 December 2015. The interest is calculated based on the relevant bank lending rates with premium of 30%. Further details in relation to these liabilities are set out in Note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

32. BANK BORROWINGS

	2017 RMB	2016 RMB
Secured	**35,000,000**	35,000,000
Unsecured	**5,000,000**	5,000,000
	40,000,000	40,000,000

Bank borrowings are repayable within one year.

Notes:

(i) In 2017, bank borrowings secured against property, plant and equipment and inventories with a total carrying amount of approximately RMB73 million (2016: RMB72 million). Certain bank borrowings were also guaranteed by a director of the subsidiary and an independent third party.

(ii) The bank borrowings of the Group bear interest at fixed and floating interest rates. The effective interest rates ranged from 4.5% to 7.4% (2016: 4.3% to 7.4%).

(iii) As at 31 December 2017, banking facilities of approximately RMB50 million (2016: RMB40 million) were granted to the Group and the Group utilised approximately RMB40 million (2016: RMB40 million) during the year ended 31 December 2017.

33. SHARE CAPITAL

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

	2017		2016	
	Number (million)	RMB	Number (million)	RMB
Ordinary shares of RMB0.10 each:				
Domestic shares				
At 1 January and 31 December	**698**	**69,750,000**	698	69,750,000
H shares				
At 1 January	**897**	**89,750,000**	897	89,750,000
Issued new shares (i)	**100**	**10,000,000**	–	–
At 31 December	**997**	**99,750,000**	897	89,750,000
Total at 31 December	**1,695**	**169,500,000**	1,595	159,500,000

33. SHARE CAPITAL *(continued)*

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

Note:

(i) On 17 March 2017, an aggregate of 100,000,000 H shares of RMB0.1 each has been issued to Shu Ju Ku Inc. for the acquisition of Shu Ju Ku Greater China Limited (Note 36(b)).

(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 2017, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2016: Nil).

34. 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 2016	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
Issue of new shares	100,798,343	–	–	–	100,798,343
Loss and total comprehensive income for the year	–	–	(20,878,915)	–	(20,878,915)
At 31 December 2017	**255,466,214**	**(2,312,483)**	**(104,978,935)**	**(22,032,403)**	**126,142,393**

34. RESERVES *(continued)*

(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 2017 and 2016 as such reserve reached 50% of the registered capital of the respective companies.

No surplus reserve was set up for the Company for the year ended 31 December 2017.

(iii) Capital reserve

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

(iv) Retained earnings/(accumulated losses)

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

(v) Other reserve

The reserve relates to the initial carrying amount of liability of a written put option granted to non-controlling interests which were independent third parties under a disposal transaction of partial interest in a subsidiary. The reserve will be released upon the expiry of the put option.

35. NON-CONTROLLING INTERESTS

Summarised financial information on subsidiaries with material non-controlling interests

As at and for the year ended 31 December 2017, the non-controlling interests ("NCI") was mainly attributable to 49% of Shandong Hidersun, 49% of Shu Ju Ku Greater China and 30% of Shanghai Muling. The NCI is recorded at its proportionate share of the subsidiaries' identifiable net assets.

As at and for the year ended 31 December 2016, the total NCI was attributable to 49% of Shandong Hidersun.

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

35. NON-CONTROLLING INTERESTS *(continued)*

Summarised financial information on subsidiaries with material non-controlling interests *(continued)*

(a) Shandong Hidersun

	2017 RMB	2016 RMB
For the year ended 31 December		
Revenue	**148,344,165**	129,476,782
Loss for the year	**(1,378,949)**	(2,084,000)
Total comprehensive income for the year	**(1,378,949)**	(2,084,000)
Loss and total comprehensive income allocated to NCI	**(675,685)**	(1,021,160)
For the year ended 31 December		
Cash flows used in operating activities	**(11,048,050)**	(1,925,790)
Cash flows used in investing activities	**(8,238,660)**	(2,018,404)
Net cash outflow	**(19,286,710)**	(3,944,194)
As at 31 December		
Current assets	**100,888,114**	106,480,136
Non-current assets	**71,111,141**	69,452,671
Current liabilities	**(125,468,973)**	(127,968,612)
Net assets	**46,530,282**	47,964,195
Accumulated non-controlling interests	**22,799,838**	23,475,523

35. NON-CONTROLLING INTERESTS *(continued)*

Summarised financial information on subsidiaries with material non-controlling interests *(continued)*

(b) *Shu Ju Ku Greater China*

On 17 March 2017, the Group completed acquisition of 51% equity interest of Shu Ju Ku Greater China ("SJKGC"). During the year ended 31 December 2017, the total non-controlling interests ("NCI") attributable to 49% of Shu Ju Ku Greater China are set out below.

	2017 RMB	2016 RMB
For the period from 17 March 2017 (date of acquisition) to 31 December 2017		
Revenue	**19,258,951**	–
Loss for the period	**(14,186,673)**	–
Total comprehensive income for the period	**(14,186,673)**	–
Loss and total comprehensive income allocated to NCI	**(6,951,470)**	–
For the period from 17 March 2017 (date of acquisition) to 31 December 2017		
Cash flows generated from operating activities and net cash inflow	**19,013,073**	–
As at 31 December		
Current assets	**–**	–
Non-current assets	**262,044,529**	–
Current liabilities	**–**	–
Net assets	**262,044,529**	–
Accumulated non-controlling interests	**128,401,819**	–

35. NON-CONTROLLING INTERESTS *(continued)*

Summarised financial information on subsidiaries with material non-controlling interests *(continued)*

(c) *Shanghai Muling*

On 13 July 2017, the Group completed acquisition of 70% equity interest of Shanghai Muling. During the year ended 31 December 2017, the total non-controlling interests ("NCI") attributable to 30% of Shanghai Muling are set out below.

	2017 RMB	2016 RMB
For the period from 13 July 2017 (date of acquisition) to 31 December 2017		
Revenue	**1,604,369**	–
Profit for the period	**776,963**	–
Total comprehensive income for the period	**776,963**	–
Profit and total comprehensive income allocated to NCI	**233,089**	–
For the period from 13 July 2017 (date of acquisition) to 31 December 2017		
Cash flows generated from operating activities and net cash inflow	**776,963**	–
As at 31 December		
Current assets	**2,592,882**	–
Non-current assets	**45,532**	–
Current liabilities	**(32,603)**	–
Net assets	**2,605,811**	–
Accumulated non-controlling interests	**781,743**	–

36. BUSINESS COMBINATION

(a) Acquisition of Shanghai Muling Elderly Care Investment Management Company Limited ("Shanghai Muling")

On 18 June 2017, the Group entered into an agreement to acquire a 70% interest in Shanghai Muling from Mr. Li Quanfu, an independent third party, at a consideration of RMB14,230,000. Shanghai Muling is principally engaged in providing elderly care consulting, advisory and assessment services. The acquisition was made with the aim to establish and implement the Group's health care and elderly care industry in the PRC. The acquisition of Shanghai Muling was completed on 13 July 2017.

The fair values of the identifiable assets and liabilities of Shanghai Muling as at the date of acquisition were:

	Carrying amount RMB	Fair value adjustment RMB	Fair values RMB
Property, plant and equipment	50,235	–	50,235
Prepayments, deposits and other receivables	48,819	–	48,819
Cash and cash equivalents	1,860,278	–	1,860,278
Other payables and accruals	(130,484)	–	(130,484)
Total identifiable net assets at fair value	1,828,848	–	1,828,848
Non-controlling interests			(548,655)
Goodwill			12,149,807
Other financial asset – profit guarantee at fair value			800,000
			14,230,000

The deferred tax in relation to the temporary differences and tax losses carried forward has been considered, and there is no material deferred tax impact to be included in the business combination.

36. BUSINESS COMBINATION *(continued)*

(a) Acquisition of Shanghai Muling Elderly Care Investment Management Company Limited ("Shanghai Muling") *(continued)*

An analysis of the cash flows in respect of the acquisition of Shanghai Muling is as follows:

	RMB
Cash consideration paid	(7,730,000)
Cash and cash equivalents in subsidiaries acquired	1,860,278
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,869,722)

As at 31 December 2017, cash consideration of RMB6,500,000 was not yet settled by the Group.

As at the date of these financial statements, the Group has not finalised the fair value assessments for the intangible assets acquired from the acquisition due to the proximity of the transaction to the reporting date. The relevant fair values of the net assets acquired and hence carrying amounts of non-controlling interests, profit guarantee asset and goodwill stated above are on a provisional basis.

(i) Goodwill

The goodwill of approximately RMB 12.1 million, which is not deductible for tax purposes, comprises the acquired workforce and knowledge, experience and reputation of Shanghai Muling in the PRC elderly care industry.

The Group has elected to measure the non-controlling interest in Shanghai Muling at acquisition-date fair value of the identifiable assets and liabilities acquired. The amount of the non-controlling interest at the acquisition date amounted to RMB548,655.

Since the acquisition date, Shanghai Muling has contributed RMB1,604,369 and RMB776,963 to the Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2017, Group revenue and loss after tax would have been RMB375,906,530 and RMB21,844,815 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

The acquisition-related costs of approximately RMB142,000 have been expensed and are included in administrative expenses.

36. BUSINESS COMBINATION *(continued)*

(a) Acquisition of Shanghai Muling Elderly Care Investment Management Company Limited ("Shanghai Muling") *(continued)*

(i) Goodwill (continued)

The Group has engaged an independent professional valuer, BMI Appraisal, for performing a business valuation acquired by the Group. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of 3%. The discount rate used of for the acquisition date was 14.1% reflects specific risks related to the acquired business.

(ii) Profit guarantee

According to the agreement, the vendor warrants to the Company that Shanghai Muling will have an audited profit after tax of not less than RMB1,125,000 from the acquisition date to 31 December 2017, and in each of the three financial years of 2018, 2019 and 2020 (from 1 January to 31 December every year) will have an audited profit after tax of not less than RMB1,500,000 (the "Profit Guarantee").

If the Profit Guarantee is not met, the vendor irrevocably agrees and guarantees that whilst the acquiree audited profit after tax is less than RMB1,125,000 for the period from the acquisition date to 31 December 2017 and RMB 1,500,000 for each of the three years of 2018, 2019 and 2020, the vendor shall pay, in an appropriate manner, to Shanghai Muling money in the amount equal to 70% of the difference between Profit Guarantee amount and the actual audited profit after tax of the respective years. Meanwhile, the vendor cannot entitle to the dividend distribution of Shanghai Muling and the 30% equity interest held by the vendor immediately after the acquisition would be pledged to the Company as the guarantee of executing the Profit Guarantee until the Profit Guarantee condition has been passed and settled.

As of 31 December 2017, the fair value of profit guarantee was decreased by RMB500,000 as the post-acquisition profit after tax of Shanghai Muling for the period ended 31 December 2017 was RMB776,963, and the estimated profit of Shanghai Muling was recalculated to be approximately RMB1,110,570, RMB1,352,168 and RMB1,644,875 for the years ended 31 December 2018, 2019 and 2020 respectively. The increase was recognised in current year profit or loss.

36. BUSINESS COMBINATION *(continued)*

(b) Acquisition of a subsidiary that is not business – Shu Ju Ku Greater China Ltd. ("SJKGC")

On 16 April 2016, the Group entered into a sales and purchase agreement with an independent third party to acquire 51% of the equity interests in SJKGC, to be satisfied by payment of a cash of US$6,500,000 and issuance of shares of the Company of 100,000,000 shares. As at the date of acquisition, SJKGC did not carry out any significant business transaction except for holding some medical licenses in Cayman Islands. The acquisition of SJKGC was completed on 17 March 2017.

The above acquisition has been accounted for by the Group as an acquisition of assets as the entity acquired by the Group did not constitute a business, and therefore the acquisition was excluded from the scope of Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)").

The medical license is about the electroencephalogram ("EEG") analysis technology for the diagnosis of various psychiatric or neurological diseases, while the areas covered by the license include the PRC, Hong Kong, Macau, Japan and Korea. This exclusive worldwide license is granted from an independent third party incorporated in Seychelles, and such license is owned by an independent third party incorporated in Cyprus in relation to quantitative EEG data collection, analysis and subsequently for establishing the associated medical data bank.

The net assets acquired by the Group in the above transaction are as follows:

	Carrying amount RMB	Fair value adjustment RMB	Fair values RMB
Prepayments, deposits and other receivables	342,745	–	342,745
Cash and cash equivalents	6,459	–	6,459
Other payables and accruals	(204,000)	–	(204,000)
Intangible asset	–	276,085,998	276,085,998
Total identifiable net assets at fair value	145,204	276,085,998	276,231,202
Non-controlling interests			(135,353,289)
Other financial asset – profit guarantee at fair value			14,784,405
			155,662,318
Satisfied by:–			
Cash			44,863,975
Consideration shares (Note (i))			110,798,343
			155,662,318

36. BUSINESS COMBINATION *(continued)*

(b) Acquisition of a subsidiary that is not business – Shu Ju Ku Greater China Ltd. ("SJKGC") *(continued)*

Note (i): As the acquisition was considered as acquisition of assets, the consideration shares were recognised based on the excess of fair value of assets acquired and the cash payment consideration.

An analysis of the cash flows in respect of the acquisition of SJKGC is as follows:

	RMB
Cash consideration paid	(42,351,380)
Bank balances acquired	6,459
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary that is not business	(42,344,921)

As at 31 December 2017, cash consideration of RMB2,512,595 was not yet settled by the Group.

(i) As the acquisition was considered as acquisition of assets, the consideration shares were recognised based on the excess of fair value of assets acquired over the cash consideration.

(ii) According to the agreement, the vendor warrants to the Company that SJKGC in each of the three financial years of 2017, 2018 and 2019 (from 1 January to 31 December every year) will have an audited profit after tax of not less than US$5,390,000 (the "Profit Guarantee"). On 16 January 2018, the Company has signed a supplementary agreement with the vendor, that the Profit Guarantee for the financial year 2017 has been waived.

If the Profit Guarantee is not met, the vendor irrevocably agrees and guarantees that whilst the SJKGC's audited profit after tax is less than US$5,390,000, the vendor shall pay, in an appropriate manner, to SJKGC money in the amount equal to US$5,390,000 minus the SJKGC's actual audited profit after tax of that year, and meanwhile the Company will have priority to cash dividends of SJKGC, to ensure and guarantee that the Company can get cash dividends of not less than US$2,750,000 of that year.

36. BUSINESS COMBINATION *(continued)*

(b) Acquisition of a subsidiary that is not business – Shu Ju Ku Greater China Ltd. ("SJKGC") *(continued)*

(ii) *(continued)*

As of 31 December 2017, the fair value of profit guarantee was decreased by RMB6,820,694 after taking into account the loss of SJKGC for the year ended 31 December 2017 was RMB14,186,673, and the revised estimated profits of SJKGC were recalculated to be approximately RMB18,553,286 and RMB53,313,764 for the years ending 31 December 2018 and 2019 respectively. The increase was recognised in current year profit or loss.

(iii) Since the acquisition date, SJKGC has contributed RMB19,258,951 and RMB14,186,673 to the Group's revenue and loss respectively, before considering intra-group elimination. If the acquisition had occurred on 1 January 2017, the Group's revenue and loss after tax would have been RMB376,249,275 and RMB21,144,940 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

(iv) The acquisition-related costs of RMB458,000 have been expensed and are included in administrative expenses.

(v) The Group has recognised the non-controlling interest in SJKGC at acquisition date based on its proportionate share in the recognised amounts of fair values of the SJKGC's identifiable net assets at the date of completion of acquisition. The amount of the non-controlling interest at the acquisition date amounted to RMB135,353,289.

(vi) The Group engaged an independent professional valuer, BMI Appraisal, for performing an asset valuation acquired by the Group. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of 2.89% for a five-year period. The discount rate used of for the acquisition date was 25.8% reflects specific risks related to the assets acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

37. COMMITMENTS

(a) Capital commitments

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

	2017 RMB	2016 RMB
Authorised and contracted for		
– Acquisition of property, plant and equipment	419,241	60,000
– Acquisition of intangible assets	–	187,506,900
	419,241	187,566,900

(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:

	2017 RMB	2016 RMB
Within 1 year	207,556	45,504

38. 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 financial statements, there are no other related party transactions for the year ended 31 December 2017 and 2016.

Key management personnel during the year comprised only the executive and non-executive directors whose remuneration is set out in note 13 to the consolidated financial statements.

39. 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 2017 and 2016 was as follows:

	2017 **RMB**	2016 RMB
Total debts – Bank borrowings	**40,000,000**	40,000,000
Less: Cash and bank balances	**(37,592,277)**	(85,743,326)
Net debts	**2,407,723**	(45,743,326)
Total equity	**574,799,791**	349,383,194
Net debt-to-adjusted equity ratio	**0.4%**	(13.1%)

40. 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 and amount due from an associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade 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, for fertiliser industry, the Group has a certain concentration of credit risk as 5% (2016: 5%) and 18% (2016: 18%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. For elderly care and health care services, no material credit risk is noted as there is no material trade receivable balance at the end of the reporting period.

Management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and amount due from an associate based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 23 and 24 respectively.

40. FINANCIAL RISK MANAGEMENT *(continued)*

(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.

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 flows RMB	Within 1 year or on demand RMB
2017			
Bank borrowings	**40,000,000**	**40,799,018**	**40,799,018**
Trade payables	**22,123,954**	**22,123,954**	**22,123,954**
Other payables	**41,566,506**	**41,566,506**	**41,566,506**
Other financial liabilities	**26,633,200**	**27,877,300**	**27,877,300**
Amount due to a director	**50,000**	**50,000**	**50,000**
Amount due to a shareholder	**2,512,595**	**2,512,595**	**2,512,595**
	132,886,255	**134,929,373**	**134,929,373**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**–**	**–**
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
Other 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

40. FINANCIAL RISK MANAGEMENT *(continued)*

(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 2017 and 2016 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.

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

	2017		2016	
	Effective interest rate % per annum	RMB	Effective interest rate % per annum	RMB
Borrowings				
Fixed rate borrowings	**7.3%**	**16,000,000**	5.7%	25,000,000
Variable rate borrowings	**5.7%**	**24,000,000**	4.5%	15,000,000
		40,000,000		40,000,000

At 31 December 2017, 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 RMB240,000 (2016: RMB150,000), 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 2017.

(d) Currency risk

The Group mainly operated in PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(i) Financial instruments not measured at fair value

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, other financial liabilities, financial guarantees issued and borrowings. Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, amount due from an associate, trade and other payables approximates their fair values, and accordingly no disclosure of the fair values of these items is presented.

	2017 RMB	2016 RMB
Financial assets		
Loans and receivables (including cash and bank balances and restricted bank deposits)	**171,499,840**	198,118,923
Financial liabilities		
Financial liabilities measured at amortised cost	**115,374,155**	96,253,887

(ii) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of profit guarantee receivable was determined using the discounted cash flow model and is within level 3 fair value measurement. Such consideration is due for final measurement and receipt from the vendor as per explanation in note 36(a) and note 36(b), respectively. Significant unobservable valuation inputs for the fair value measurement of profit guarantee receivable are as follows:

(a) Shanghai Muling

	2018 RMB	**2019** RMB	**2020** RMB
Projected net operating profit after tax	1,110,570	1,352,168	1,644,875
Discount rate	3.80%	3.82%	3.84%

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(continued)*

(ii) Financial instruments measured at fair value *(continued)*

(b) SJKGC

	2018 RMB	**2019** RMB
Projected net operating profit after tax	18,553,286	53,313,764
Discount rate	3.80%	N/A*

* As the projected net operating profit exceeds the benchmark for profit guarantee, the discount rate is not applicable for the calculation.

A significant increase/(decrease) in the net operating profit after tax would result in a significant decrease/(increase) in the fair value of the profit guarantee receivable. A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) in the fair value of the profit guarantee receivable.

The following table presents financial instruments measured at fair value in the consolidated statements of financial position in accordance with the fair value hierarchy. The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial instrument is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(continued)*

The financial assets and financial liabilities measured at fair value as at 31 December 2016 and 2017 in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

Recurring fair value measurement	Level 1	Level 2	Level 3	Total
As at 31 December 2017				
Financial assets at fair value through profit or loss				
– Profit guarantee	**–**	**–**	**8,263,711**	**8,263,711**
As at 31 December 2016				
Financial assets at fair value through profit or loss	–	–	–	–

There have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 December 2017.

Reconciliation for financial instruments at recurring fair value measurement based on significant unobservable inputs (Level 3) is as follows:

Profit guarantee	**2017 RMB**	2016 RMB
At beginning of the year	**–**	–
Profit guarantee granted	**15,584,405**	–
Total loss recognised in profit or loss	**(7,320,694)**	–
At end of the year	**8,263,711**	–
Loss recognised in consolidated statement of profit or loss and other comprehensive income relating to financial instruments held by the Group at the reporting date	**(13,873,910)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

42. PARTICULARS OF SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2017 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%	Manufacture and sales of biological compound fertilisers in the PRC
Guangdong Fulilong Compound Fertilisers Co., Ltd. [2] ("Guangdong Fulilong")	Corporation	PRC	100%	Manufacture and sales of biological compound fertilisers in the PRC
Ningxia Hongdi Biotechnology Co., Ltd. [2] ("Ningxia Hongdi")	Corporation	PRC	100%	Provide EEG detection service in the PRC
HONGKONG TEDA Biomedical Investment Limited ("HK Investment")	Corporation	Hong Kong	100%	License of EEG detection service
Guangdong Fulilong Soil Conditioning and Remediation Institute [2] ("Guangdong Institute")	Non-enterprise organisation	PRC	100%	Conduct regional soil resources conditioning and remediation research, and soil environmental quality standards research
Guangdong Fulilong Forestry Ecological Technology Co., Ltd. [2] ("Guangdong Forestry Ecological")	Corporation	PRC	51%	Sales of biological compound fertilisers
Shanghai Muling Elderly Care Investment Management Company Ltd. [2] ("Shanghai Muling")	Corporation	PRC	70%	Provide elderly care consulting, advisory and assessment services
Beijing Hongdi Pension Investment Management Co., Ltd. [2] ("Beijing Hongdi")	Corporation	PRC	100%	Not yet commenced business
Shu Ju Ku Greater China Ltd. ("SJKGC")	Corporation	Cayman Islands	51%	Conduct related product services by the proprietary quantitative EEG detection and diagnosis technology

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.

43. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 RMB	2016 RMB
Non-current assets			
Property, plant and equipment		**415,020**	360,969
Investments in subsidiaries		**225,604,138**	102,046,225
Interest in an associate		**6,588,602**	6,588,602
Amount due from an associate		**11,389,137**	–
Other financial assets		**8,263,711**	–
Total non-current assets		**252,260,608**	108,995,796
Current assets			
Prepayments and other receivables		**472,414**	383,923
Amount due from subsidiaries		**75,690,138**	107,055,672
Amount due from an associate		**584,439**	10,804,698
Cash and bank balances		**8,075,213**	8,262,708
Total current assets		**84,822,204**	126,507,001
Total assets		**337,082,812**	235,502,797
Current liabilities			
Trade payables		**26,917**	26,918
Other payables and accruals		**12,217,707**	4,363,814
Amount due to a shareholder		**2,512,595**	–
Amount due to a director		**50,000**	–
Other financial liabilities		**26,633,200**	25,389,100
Total current liabilities		**41,440,419**	29,779,832
Net current assets		**43,381,785**	96,727,169
NET ASSETS		**295,642,393**	205,722,965
Capital and reserves			
Share capital	33	**169,500,000**	159,500,000
Reserves	34	**126,142,393**	46,222,965
TOTAL EQUITY		**295,642,393**	205,722,965

On behalf of the Board

Sun Li
Director

Hao Zhihui
Director

44. LITIGATION

On 31 August 2014, the Company entered into an agreement (the "Agreement") with two independent parties (the "Purchasers") to dispose of 49.84% equity interest of Tianjin Alpha (the "Equity Interest"). The Equity Interest represented 25.07% equity interest of the issued capital of Tianjin Alpha immediately after the capital injection on 16 January 2017 (refer to Note 19). Included in the Agreement, certain provisions (the "Provisions") were required to be fulfilled by 31 December 2015, otherwise the Purchasers had the right to require the Group to purchase back the Equity Interest (refer to Note 31). On 9 September 2016, the Purchasers commenced a legal action against the Company to enforce their rights to require the Company to buy back the entire Equity Interest as the Provisions have not been fulfilled. According to the Agreement, the Company was required to buy back the Equity Interest at the agreed price plus interest. With respect to the Equity Interest, a mediation agreement was signed by the Company, one of the two Purchasers (the "Existing Purchaser") and an independent third party, (the "New Investor") on 16 January 2018, whereby the New Investor has agreed to purchase the Equity Interest at a consideration of RMB25,000,000, which the New Investor would pay RMB24,500,000 and the remaining RMB500,000 would be settled by the Company for facilitating the share transfer. Up to the date of approval for issuance of these consolidated financial statements, although the Equity Interst has not yet been transfered to the New Investor, all considerations have been paid to the Purchaser, and the New Investor has applied for the transfer of the Equity Interest. Therefore, the management of the Company expects that the transfer would be completed in 2018. As at 31 December 2017, the Company recorded an other financial liability of RMB26,633,200 in respect of such unfulfilled Provisions and the management of the Company considered the amount is sufficient.

45. EVENT AFTER THE END OF REPORTING PERIOD

On 14 March 2018, the Company issued additional 199,500,000 H Shares to six independent third parties in an aggregate consideration of HK$49,225,000 (equivalent to approximately RMB39,681,000), after deducting relevant expenses incurred in relation to the issuance.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2018.