2015
ANNUAL REPORT

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)

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 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 Stock Exchange on 18 June 2002 (Stock Code: 08189), with a current registered capital of RMB159,500,000. The Group is currently engaged in two sectors: (i) biological compound fertilizer products, including series of biological compound fertilizer products under the brand of "Fulilong" used for the promotion of balanced growth of grains, fruit and vegetables, and (ii) health care products, including series of health care products under the brand of "Alpha", covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body. Biological compound fertilizer and health care sectors that the Group is engaged in are the sunrise industries encouraged by the country which have a good prospect for development.

GROUP STRUCTURE

Tianjin TEDA

Biomedical Engineering Company Limited

100%

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("Guangdong Fulilong")

(principally engaged in the research, development, manufacture and sales of biological compound fertilizers)

51%

Shandong Hidersun Fertilizer Industry Co., Ltd. ("Shandong Hidersun")

(principally engaged in the research, development, manufacture and sales of biological compound fertilizers)

33.66%

Tianjin Alpha HealthCare Products Co., Ltd. ("Tianjin Alpha")*

(principally engaged in the research, development, manufacture and sales of sugar-reducing health products and sugar-free products)

* Since 1 October 2015, Tianjin Alpha became an associate from a subsidiary. Please refer to Page 15 of this report for details.

CORPORATE INFORMATION

Executive Directors
Ms. Sun Li (appointed on 20 August 2015)
Mr. Hao Zhihui
Mr. Wang Shuxin

Non-executive Directors
Mr. Feng Enqing
Mr. Ou Linfeng
Mr. Chen Yingzhong (appointed on 20 August 2015)
Mr. Xie Guangbei (resigned on 30 June 2015)

Independent non-executive Directors
Mr. Guan Tong
Mr. Wu Chen
Mr. Peter K.S. Chan

Supervisors
Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors
Mr. Gao Xianbiao
Mr. Liang Weitao (appointed on 20 August 2015)
Mr. Zhao Kuiying (resigned on 30 June 2015)

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

Compliance Officer
Ms. Sun Li (appointed on 10 November 2015)
Mr. Wang Shuxin (resigned on 10 November 2015)

Audit Committee
Mr. Guan Tong
Mr. Wu Chen
Mr. Peter K.S. Chan

Remuneration Committee
Mr. Guan Tong
Mr. Wu Chen
Mr. Chen Yingzhong (appointed on 20 August 2015)
Mr. Xie Guangbei (resigned on 30 June 2015)

Nomination Committee
Ms. Sun Li (appointed on 20 August 2015)
Mr. Guan Tong
Mr. Wu Chen
Mr. Wang Shuxin (resigned on 20 August 2015)

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

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

Auditor
BDO Limited

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

Hong Kong Representative Office
4/F., The Chinese Club Building
Nos. 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

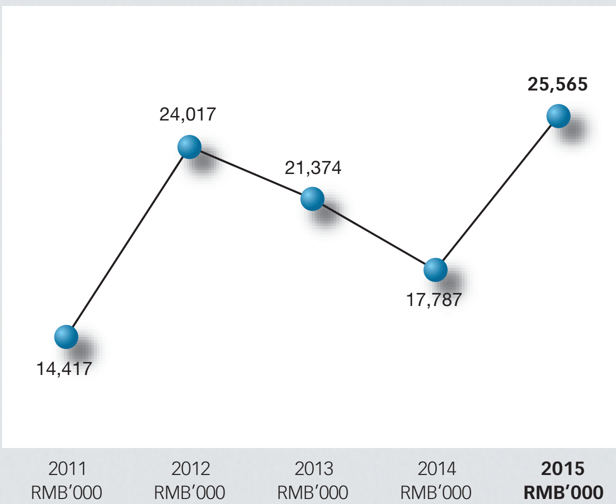
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014* RMB'000	2015* RMB'000
Results					
Turnover	511,151	677,640	583,112	470,267	**501,590**
Gross profit	99,268	136,336	130,585	78,712	**96,721**
Gross margin	19.42%	20.12%	22.39%	16.74%	**19.28%**
Profit or loss attributable to the shareholders	14,417	24,017	21,374	17,787	**25,565**
Earnings or losses per share	1.02 cents	1.69 cents	1.51 cents	1.46 cents	**1.76 cents**

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

	For the year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Assets & Liabilities					
Total assets	324,299	421,976	412,864	432,622	**458,505**
Total liabilities	145,888	219,346	188,093	188,924	**114,072**
Equity attributable to the shareholders	156,039	180,056	201,429	198,021	**319,937**

Profit or loss attributable to the shareholders



CHAIRMAN'S STATEMENT

growth

Dear shareholders,

I, on behalf of the board of directors (the "Board") of the Company, would like to present the annual report of the Group for the year ended 31 December 2015 to all the shareholders.

CHAIRMAN'S STATEMENT

Sun Li
Chairman

In 2015, adjustment and imbalance were witnessed in the progress of the recovery of the global economy and the problems arising from excess production capacity and resource mismatch in China were still serious. Meanwhile, government policies and environment factors have also, to certain extent, restricted the growth of China's economy. While the structure of economy kept adjusting and against the backdrop that lacked a drive for further economic growth, the two major business fields that the Group engages in, namely biological compound fertilizer products and health care products, had been exposed to challenges and transformation. In view of the evolving market competition landscape and competition strategy as well as the increasingly fierce market condition, the Company managed to act cautiously and make use of its strength in different aspects to ensure stable growth through reasonably allocated resources, strictly controlling operation cost and enhancing corporate management capability.

OPERATIONAL REVIEW

In February 2015, the Ministry of Agriculture of the People's Republic of China (the "PRC") formulated the "Action Program for Zero Growth in the Use of Fertilizer by 2020" (《到2020年化肥使用量零增長行動方案》), which urgently called for resolving the issues of costs increase and environmental pollution caused by the excessive and abusive use of fertilizers, improving the way fertilizers are used, enhancing fertilizer utilization and reducing unreasonable use of fertilizers, so as to ensure the effective supply of major agricultural products, such as grains, and promote the sustainable development of agriculture. During the period under review, holding the development concept of "yield-increasing fertilization, economic fertilization, and environmental-friendly fertilization", Guangdong Fulilong and Shandong Hidersun, subsidiaries of our Company, proactively promoted their new active fertilizers and bio-organic fertilizers which researched and developed internally and which commanded a higher gross profit margin. The Group's compound fertilizer segment had achieved considerable enhancement in the operation results of compound fertilizers as compared with the same period of previous year through improving its market management, and this helped further to ensure the sustainable and healthy development of compound fertilizer business.

CHAIRMAN'S STATEMENT

The revised Food Safety Law (《食品安全法》) of the PRC newly passed at the Fourteenth Meeting of the Standing Committee of National People's Congress, with effect from 1 October 2015, expressly confers the legal status of healthcare products. Although the domestic health care product market enjoys huge potentials, problems and challenges put constraints to its development. Banking on the edges in patents, standards, technologies and facilities, as well as the reserves of talents, large-scale and multinational pharmaceutical and health care products groups took various measures such as merging, holding and sharing to realize the reorganization of health care product companies through capital integration, and this posed serious challenges to small and medium-sized health care products manufacturing companies in China with less competitiveness. During the period under review, Tianjin Alpha, a subsidiary of the Company, introduced strategic investors through capital increase and share enlargement based on its actual needs and the change of the external market environment, with a view to improving its internal financial structure and actively coping with the increasingly fierce market competition of the health care product market.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group had recorded a total sales of RMB501,589,528, an increase of 6.66% from that of last year. As the gross profit margin of 19.28% shows an substantial increase when compared with last year, the gross profit amounted to RMB96,720,781, representing an substantial increase of 22.88% as compared to the same period last year. During the review period, profit attributable to shareholders amounted to RMB25,564,512, an substantial increase of 43.72% as compared to the same corresponding period last year. Earnings per share of the Company was RMB1.76 cent, an substantial increase of 20.55% as compared to the same corresponding period last year.

FUTURE OUTLOOK

Looking ahead, the Company will firmly grasp the opportunities from the transformation and upgrade of the biological compound fertilizer sector to reasonably adjust the product structure and gradually increase the proportion of active fertilizers and bio-organic fertilizers with higher gross profit margin, so as to enhance the competitiveness of its products and further promote its profitability. Moreover, the Company intends to take the strategic opportunity that the development and model of traditional medical and pharmaceutical system in the medical and healthcare industry will be accelerated and transformed during the 13th Five Year Plan period and fully

CHAIRMAN'S STATEMENT

leverage on the advantages of the capital market in Hong Kong to secure mature medical and healthcare projects based on "Internet+", Big Data and artificial intelligence, with promising market prospect and leading international technology, in the high-end medical devices and diagnosis and treat fields by mergers and acquisitions, strive to exploit late-mover advantage and foster new sources of profit growth, aiming to achieve the Company's upgrade in strategy and innovation.

I hereby would like to express my sincere gratitude to the members of the Board and all the staff of the Group for their outstanding work performance and persistent efforts, as well as all the shareholders for their understanding and support. The Company will endeavor to maximize the return for shareholders through continuous business expansion and improving the results of operations.

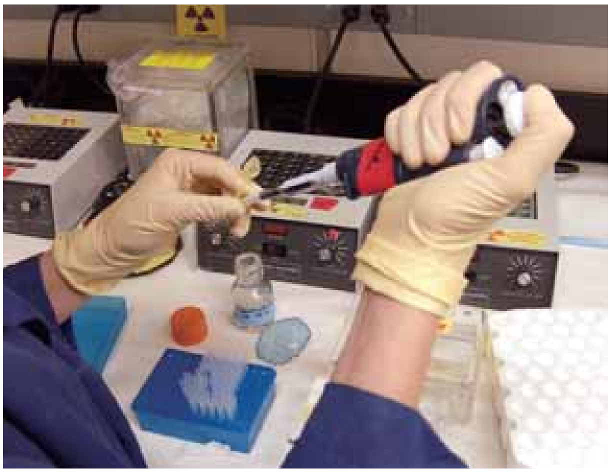
Sun Li
Chairman

31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

advancing

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Biological compound fertilizer

Compound fertilizers are characterized by high content of nutrients, less useless elements and favorable physical characteristics, and play an important role in balanced fertilization, increasing the utilization of fertilizers and promoting high and stable yield of crops. Currently, the competition in the compound fertilizer industry focuses on quality, brand, capital, technology and service. During the period under review, as the government of the PRC streamlined administrative procedures and strongly promoted market reform, a series of preferential policies related to the fertilizer industry were gradually abolished, including cancellation of railway preferential freight rates and preferential electricity price, relaxing the management of import and export, and resuming levying VATs by the state. As a result, the fertilizer manufacturing companies and the market were affected adversely by such changes in policies. In addition, amid the complicated market environment in which end users and fertilizer demand in the market had been changing, land transfer had been accelerated and the number of big crop-growers and cooperative communities kept increasing rapidly. The Company's subsidiaries, Guangdong Fulilong and Shandong Hidersun, timely took a series of measures to ride on the development trend of modern agriculture, strengthen the cooperation with new agricultural business entities, such as farmers' cooperative communities, actively promote innovative service mechanism and extend service scope in order to provide targeted and personalized products and services for users. Meanwhile, by focusing on promoting compound fertilizers, such as active fertilizers and bio-organic fertilizers, which yield higher gross margin and are in line with the state's development concept of "yield-increasing fertilization, economical fertilization and environment-friendly fertilization", the Company will target major markets and customers and hold a proper control over selling expenses to maximize profits of the Group, so as to ensure the sustainable and healthy development of the Company's compound fertilizer business.

Health care products

Given the growing health care industry in China which has experienced rapid development over years, although the development potential of health care product industry in China is undoubtedly immense under the market demand, the advancement of technology and the optimization of regulations, there are numerous problems urgently

MANAGEMENT DISCUSSION AND ANALYSIS

to be resolved in the health care product industry in China, such as serious homogenization, low technology level, low industrial concentration, shortage of capital investment, and the lack of senior technical talents. Since the health care industry is characterized by low pollution, high employment rate, high utilization of land, low energy consumption and sound comprehensive economic efficiency, and is in line with the adjustment direction of the national and regional industrial structures, many large-scale or multinational pharmaceutical and health care products groups step into the sector by way of merger, holding and sharing in recent years to realize the reorganization of health care product companies, while the competitiveness of small and medium-sized health care products manufacturing companies in China tends to be weaker. With the population in the PRC kept increasing, the national income level also improved and the pace of urbanization has been deeply promoted. During the 13th Five Year Plan period, the consumption demand of urban and rural residents for health care products increases rapidly and the market competition tends to be fierce. During the period under review, Tianjin Alpha introduced strategic investors through capital increase and share enlargement based on its actual needs and the change of the external market environment, to actively improve its internal financial structure, endeavor to enhance the market competitiveness of its products and cope with the fierce market competition.

FINANCIAL REVIEW

Turnover, gross profit and gross margin

For the year ended 31 December 2015, the Group achieved total annual turnover of RMB501,589,528, representing an increase of 6.66% as compared to last year (31 December 2014: RMB470,267,081); the consolidated gross profit was RMB96,720,781, representing an increase of 22.88% as compared to last year (31 December 2014: RMB78,712,010); the consolidated gross profit margin was 19.28%, representing a significant increase as compared to last year (31 December 2014: the consolidated gross profit margin was 16.74%). During the review period, the Group focused on promoting biological compound fertilizers and bio-organic fertilizers with a higher gross profit margin and this resulted in a significant increase in both the Group's consolidated gross margin and gross profit as compared to last year.

Other income and net losses

For the year ended 31 December 2015, other income and net losses of the Group was RMB350,981 (31 December 2014: RMB588,850). The details are set out in Note 8 to the accounts.

Selling and distribution costs

For the year ended 31 December 2015, selling and distribution costs of the Group was RMB23,514,871, representing an increase of 21.81% as compared to last year (31 December 2014: RMB19,304,116). During the review period, in view of the intensified market competition, the Group has adopted a series of measures for consolidating and expanding its sales channels. Consequently, there was a slight increase in marketing expenses as compared to last year.

Administrative expenses

For the year ended 31 December 2015, administrative expenses of the Group were RMB21,507,630 (31 December 2014: RMB17,887,372), representing an increase of 20.24% as compared to last year, which was mainly due to the Group's appropriate increase in the provision for inventories and trade receivables after eliminating the discontinued operations of health care product business based on the prudent accounting principles.

Research and development expenses

For the year ended 31 December 2015, research and development expenses of the Group were RMB15,416,009, representing a significant increase of 113.52% as compared to last year (31 December 2014: RMB7,219,908), which was mainly due to more funding for the research and development of new compound fertilizer products.

Finance costs

For the year ended 31 December 2015, finance costs of the Group were RMB4,657,425, representing an increase of 11.65% as compared to last year (31 December 2014: RMB4,171,557), mainly due to the Group's appropriate increase in the bank loans to finance its compound fertilizer business. The details are set out in Note 9 to the accounts.

Profits for the year

For the year ended 31 December 2015, the profit attributable to the owner of the Company was RMB25,564,512, representing a significant increase of 43.72% as compared to last year (31 December 2014: RMB17,787,428); earnings per share of the Company were RMB1.76 cents compared to RMB1.46 cents of the same period of last year, representing a significant increase of 20.55%.

STRUCTURE OF SHARE CAPITAL

As at 31 December 2015, the structure of share capital of the Company is set out in Note 28 to the accounts.

CHANGE OF SUBSTANTIAL SHAREHOLDERS

On 20 April 2015 (after trading hours), the Company was notified by Shenzhen Xiangyong Investment Company Limited ("Xiangyong"), being a substantial shareholder of the Company holding 180,000,000 domestic shares which represent 12.68% of the entire issued share capital of the Company, and Dongguan Lvye Fertilizers Company Limited ("Lvye"), being a shareholder of the Company holding 120,000,000 domestic shares which represent 8.45% of the entire issued share capital of the Company, respectively that the equity holders of Xiangyong and Lvye entered into disposal agreements with Beijing Yingguxinye Investment Co., Ltd (the "Purchaser") respectively on 20 April 2015, pursuant to which the equity holders of Xiangyong and Lvye agreed to sell the entire equity interest to the Purchaser. Upon completion of such agreements, the Purchaser would own 100% interest in Xiangyong and Lvye, i.e. the Purchaser would be deemed to be interested in the entire domestic shares of the Company (21.13%) originally held by Xiangyong and Lvye. The Purchaser is a limited company incorporated in the PRC and is engaging in the business of investment and asset management. Please refer to the announcement of the Company dated 21 April 2015 published on the website of the GEM of the Stock Exchange for details.

MANAGEMENT DISCUSSION AND ANALYSIS

PLACING

On 13 January 2015, the Board of the Company passed a resolution approving the appointment of China Merchants Securities (HK) Co., Ltd., to be the placing agent in respect of a placing of not more than 192,500,000 H Shares. The 192,500,000 H Shares represents approximately 13.56% and 27.30% of the existing total issued share capital and the existing issued H Shares of the Company respectively. On 16 April 2015, the grant of special mandate for the issuance of the new shares which may be placed and amendments to the articles of association of the Company were approved at the extraordinary general meeting and class meetings of the Company. Please refer to the Company's notices of class meetings and circular published on the GEM website on 25 February 2015 and the announcement in respect of results of extraordinary general meeting and class meetings published on the GEM website on 16 April 2015 for details. On 20 April 2015, the Company entered into a placing agreement with the placing agent, pursuant to which the Company had agreed to appoint the placing agent to procure, on a best effort basis, the placing of the placing H Shares at HK$0.70 per Share.

On 28 April 2015, the Company issued an announcement on the GEM website that the Company had obtained the approval for the listing of and permission to deal in not more than 175,000,000 new H Shares and not more than 17,500,000 sale H Shares by the Company from the GEM Listing Committee and all the conditions for the placing were fulfilled. An aggregate of 192,500,000 total placing H Shares had been successfully placed to not less than six independent professional, institutional and/or individual investors at the placing price of HK$0.70 per placing H Share. The proceeds of the placing of the new H Shares and the sale H Shares were approximately HK$122.50 million and HK$12.25 million, respectively. After deduction of placing commission and all related costs, fees and expenses which represented approximately 2.5% of the gross proceeds, the net proceeds of the placing of new H Shares and the sale H Shares were approximately HK$119.44 million and HK$11.94 million, respectively. The net proceeds from the sale H Shares would be paid to NSSF Council as required by the State-owned Shares Reduction Regulations. Please refer to the announcement of the Company dated 28 April 2015 published on the GEM website for details.

The shareholding structure of the Company immediately after completion of the placing is as follows:

Name of Shareholders	Nature of Shares	Number of Shares Held (Shares)	Shareholding Proportion
Tianjin TEDA International Incubator	State-owned Legal Person Shares	182,500,000	11.44%
Gu Hanqing	Natural Person Shares	14,000,000	0.88%
Xie Kehua	Natural Person Shares	9,000,000	0.56%
Guangzhou Wenguang Media Company Limited	Social Legal Person Shares	12,000,000	0.75%
Beijing Zhongxing Wuhuan Building Materials Company Limited	Social Legal Person Shares	10,000,000	0.63%
Shenzhen Xiangyong Investment Company Limited	Social Legal Person Shares	180,000,000	11.29%
Shandong Zhinong Fertilizers Company Limited	Social Legal Person Shares	170,000,000	10.66%
Dongguan Lvye Fertilizers Company Limited	Social Legal Person Shares	120,000,000	7.52%
Domestic Shares (Subtotal)		697,500,000	43.73%
Public Shareholders of H Shares	H Shares	897,500,000	56.27%
H Shares (Subtotal)		897,500,000	56.27%
Total		1,595,000,000	100%

RESIGNATION, REDESIGNATION AND APPOINTMENT OF DIRECTORS AND SUPERVISORS

The Company issued an announcement on 30 June 2015 that the Board had accepted the resignations of Mr. Xie Guangbei, a non-executive Director, and Mr. Zhao Kuiying, an Independent Supervisor, respectively with effect from 30 June 2015.

The Board proposed to redesignate Mr. Chen Yingzhong, an executive Director, as a non-executive Director of the Company with effect from the date of shareholders' approval and expiring on 31 December 2016. The Board also proposed to appoint Ms. Sun Li as an executive Director and Mr. Liang Weitao as an Independent Supervisor for a term commencing on the date of shareholders' approval and expiring on 31 December 2016. The aforesaid proposals were passed as ordinary resolutions by the shareholders at the extraordinary general meeting convened on 20 August 2015. Please refer to the notice of extraordinary general meeting and circular of the Company both dated 1 July 2015 and the announcement dated 20 August 2015 in respect of the results of the extraordinary general meeting published on the GEM website for details.

CHANGE OF CHAIRMAN OF THE BOARD

The Company issued an announcement on 20 August 2015 that Mr. Wang Shuxin had resigned as the chairman of the Board and the chairman of the Nomination Committee of the Company due to his busy schedule and that he wished to devote more time on pursuing his other business commitments with effect from 20 August 2015. The Board had elected Ms. Sun Li, an executive director of the Company, to replace Mr. Wang Shuxin as the chairman of the Board and as the chairman of the Nomination Committee of the Company with effect from 20 August 2015. Please refer to the announcement of the Company dated 20 August 2015 published on the GEM website for details.

CHANGE OF CHIEF EXECUTIVE OFFICER

The Company issued an announcement on 14 September 2015 that Mr. Wang Shuxin resigned as the chief executive officer due to his busy schedule and his other business engagements with effect from 14 September 2015. The Board also announced that Ms. Sun Li was appointed to replace Mr. Wang Shuxin as the chief executive officer with effect from 14 September 2015. Please refer to the announcement of the Company dated 14 September 2015 published on the GEM website for details.

DEEMED DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY

The Company issued an announcement on 30 September 2015 that on 24 June 2015, Tianjin Alpha, all its founding equityholders (including the Company) entered into a capital increase agreement (the "Agreement") with seven independent individual third parties (the "Investors"), pursuant to which the Investors agreed to make the capital contribution of RMB14 million (the "Capital Contribution") to Tianjin Alpha, of which RMB3.5 million were allocated to registered capital. After the Capital Contribution, the Company's equity interest in Tianjin Alpha was reduced from 50.16% to 38.84%, but the Company remained as the single largest equityholder without any changes to the composition of the board of directors of Tianjin Alpha and with the chairman of the board of directors of Tianjin Alpha as well as the legal representative of Tianjin Alpha still being appointed by the Company according to the articles of association of Tianjin Alpha. In addition, on the even date, Tianjin Jinnasen Technology Development Co. Ltd. ("Jinnasen") signed an undertaking (the "Undertaking") in the form of a supplemental agreement in favour of the Company warranting to act in concert with and act according to the decision of the Company in voting at equityholders' meeting and management of Tianjin Alpha until 30 September 2015. Thus Tianjin Alpha remained as a subsidiary of the Company after the Capital Contribution. After the expiry of the Undertaking, Tianjin Alpha ceased to be a subsidiary of the Company but became an associate. Please refer to the announcement of the Company dated 30 September 2015 published on the GEM website for details.

MANAGEMENT DISCUSSION AND ANALYSIS

Thereafter, on 7 December 2015, all the equityholders (including the Company) of Tianjin Alpha entered into a capital increase agreement (the "Agreement") with an independent individual third party (the "New Investor"), pursuant to which the New Investor agreed to make the capital contribution of RMB10 million to Tianjin Alpha, of which RMB2,383,927 were allocated to registered capital. After the Capital Contribution, the Company's equity interest in Tianjin Alpha was reduced from 38.84% to 33.66%, but the Company remained as the single largest equityholder without any changes to the composition of the board of directors and the chairman of the board of directors of Tianjin Alpha.

CHANGE OF COMPLIANCE OFFICER

The Company issued an announcement on 10 November 2015 that Mr. Wang Shuxin had resigned as the compliance officer of the Company under the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") due to his busy schedule and that he wished to devote more time on pursuing his other business commitments with effect from 10 November 2015. The Board had elected Ms. Sun Li, the chairman, the chief executive officer and an executive director of the Company, to replace Mr. Wang Shuxin as the compliance officer of the Company with effect from 10 November 2015. Please refer to the announcement of the Company dated 10 November 2015 published on the GEM website for details.

SEGMENTAL INFORMATION

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

The results of the Group by segments for the year ended 31 December 2015 and the year ended 31 December 2014 are disclosed in Note 6 to the accounts.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During 2015, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2015, the Group's current assets and net current assets were RMB358,881,643 (31 December 2014: RMB324,693,607) and RMB244,810,021 (31 December 2014: RMB135,769,218) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 3.15 (31 December 2014: 1.72). The Group's current assets as at 31 December 2015 comprised mainly cash and bank balances of RMB105,637,380 (31 December 2014: RMB48,383,977), trade receivables of RMB78,395,214 (31 December 2014: RMB103,319,636) and inventories of RMB90,377,523 (31 December 2014: RMB138,376,713).

As at 31 December 2015, the total bank borrowings of the Group amounted to RMB45,000,000 (31 December 2014: RMB87,300,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed and variable interest rates ranging from 5.3% to 7.8% (31 December 2014: 6.2% to 9.0%) per annum. Out of all the bank borrowings, a total amount of RMB20,700,000 will mature in the first half of 2016, a total amount of RMB24,300,000 will mature in the second half of 2016.

As at 31 December 2015, the Group's consolidated total assets and net assets were about RMB458,505,263 (31 December 2014: RMB432,622,005) and RMB344,433,641 (31 December 2014: RMB243,697,616) respectively. The Group's consolidated gearing ratio, defined as the ratio of total liabilities to total assets, was 0.25 (31 December 2014: 0.44). As at 31 December 2015, the Group's gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.10 (31 December 2014: 0.20).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group and the Company had contingent liabilities amounting to RMB20,000,000 (31 December 2014: RMB45,000,000) and RMB20,000,000 (31 December 2014: RMB45,000,000) respectively in connection with the provision of guarantee as security for bank loans granted to the associate.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2015, the Group had 480 employees (2014: 500 employees). Remunerations of the Group's employees are determined in accordance with the terms of government policies and by reference to market level and the performance, qualifications and experience of employees. Discretionary bonuses are paid to few employees as recognition of and reward for their contribution to the corporate development. Other benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances.

EXPOSURE TO FOREIGN CURRENCY RISK

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

TREASURY POLICIES

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

FUTURE OUTLOOK

Looking ahead, as the risks and uncertainties prevailed in the global economy, including the insufficient growth in demand, the fluctuation of the financial market and structural problems, and under the background of sluggish recovery and differentiation in the trend of global economy, the economy of China still faces huge downturn pressure. With the initiation and implementation of the 13th Five Year Plan by the state, it is believed that the driving forces for the economic growth will be added. Nowadays, given Chinese enterprises' exposure to the globalization in economy, they have to adapt to new elements of economic transition and vigorously cultivate their core competitiveness so as to maintain long-term initiatives in the market competition. As there is huge development potential for biological compound fertilizer and health care products businesses operated by the Group in the course of China's future economic development and in the consumption structure, the management of the Company will actively capture the development opportunity in those two sectors and enhance the awareness in risk prevention and the standard of risk control to ensure the rapid, stable and sustainable development of the Company.

According to the guidelines in the Central Document No.1 of "Several Opinions on the Implementation of New Ideas to Accelerate the Construction for Agricultural Modernization and Achieve the Target for An All-round Well-off Society" issued by the Central Committee of the Communist Party of China and the State Council in 2016 and "Guiding Opinions on Promoting the Transformation Development of Fertilizer Industry" published by the Ministry of Industry and Information Technology of China, enterprises should take the initiative to cater to the development of agricultural modernization, adjust product structure, promote innovative ability and enhance agrichemical service on the premise of promoting the increase in grain yield and farmers' income, the safety of the ecological environment and meeting the demand for scientific fertilization according to the requirements of the "Action Program for Zero Growth in the Use of Fertilizer by 2020" formulated by the Ministry of Agriculture so as to effectively improve the growth quality and efficiency. Overall, since the compound fertilizer rate currently maintains at a relatively lower level about 40% in China as compared to 80% in developed countries and an average of 50% of the world, there is still huge growth potential for Chinese compound fertilizer industry. Due to the structural adjustment of the planting industry, change in method of agricultural production, excess capacity, the withheld of preferential policies treatment and the transformation of market channels, coupled with the desperate demand for the sustainable development of the ecological environment during the implementation of the "Action Program for Zero Growth in the Use of Fertilizer by 2020", the Company's subsidiaries, Guangdong Fulilong and Shandong Hidersun, will put emphasis on the research and development of ecological and environment-protection fertilizer products, and make efforts in the model of innovative services to actively upgrade the agrichemical services of soil testing and fertilizer recommendation, continuously optimize the product structure and service network and ensure the stable, rapid and sustainable development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

With the improvement on the living standard of people and the acceleration of aging population, the demand for medical services increases steadily and the medical and healthcare sector becomes the development focus of the strategic emerging industry and “Made in China 2025” strategy. During the 13th Five Year Plan period, the development and model of traditional medical and pharmaceutical system in Chinese medical and healthcare industry will be accelerated and transformed, which presents an innovative and strategic opportunity for the development of the high-end medical devices and diagnosis and treat fields based on “Internet+”, Big Data and artificial intelligence. In addition to the stable development of existing compound fertilizer business, the Company intends to fully leverage on the advantages of the capital market in Hong Kong to secure mature medical and healthcare projects in the above fields with promising market prospect and leading international technology by mergers and acquisitions, strive to exploit late-mover advantage and foster new sources of profit growth, aiming to achieve the Company’s upgrade in strategy and innovation.

With the persistent increase in residents’ income, the accelerating pace in the upgrade of the consumption structure, the growing requirements for the quality of life and the increasing demand for health care services resulting from aging population in China, the health care industry will have an extensively promising future. The health care industry in China comprises medical health service and non-medical health service, and is divided into four basic industry clusters, including (i) the medical industry which is mainly comprised of medical service institutions, (ii) the pharmaceutical industry which mainly involves in the manufacturing and sales of medicine, medical devices and other medical consumables, (iii) the health care product industry which is mainly related to the manufacturing and sales of health care products and healthy products, and (iv) health management service industry which is mainly associated with personalized health examination, assessment, consultation services, nursing and rehabilitation, and protection and promotion. To construct “Healthy China” has been highlighted as the national strategy in the bulletin of the Fifth Plenum of the 18th Central Committee of the Communist Party of China. As the national development strategy with continuous growth impetus, the health care industry is characterized by high development stability in the long run and strong support from the government, and is the emerging investment hotpot during the transformation of the Chinese economy. Benefiting from the unleash preferential policies promulgated by the state, the health care industry will enjoy a new round of economic development. The future development of the global health care industry would be characterized by globalization with high technology contest, high efficiency and high degree of sophistication. In the course of future development of health care business, the Company will adhere to its principles of acting rationally, tightly seize the development opportunities of the health care industry, reasonably adjust the industrial structures, continuously optimize the allocation of resources and promote the business development in the health care industry.

Looking ahead for 2016, the business sectors in which the Group operates may face some risks and challenges while some development opportunities also prevail. The Group is well-prepared to adapt to the development trend of the economy and the industry, and will actively explore new areas for value and expand the innovative development. In addition, the Group will strengthen and expand its sound marketing network, endeavor to achieve businesses upgrade and raise the values, promote its core competitiveness and take the enhancement of profitability of the Company as the priority.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

1. MEETING OF THE SUPERVISORY COMMITTEE

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

1. On 25 March 2015, the Supervisory Committee held the first meeting in 2015, at which the consolidated financial statements of the Group for the year 2014 audited by BDO Limited was reviewed and approved;

2. On 24 April 2015, the Supervisory Committee held the second meeting in 2015, at which the first quarterly report of the unaudited results for the three months ended 31 March 2015 was reviewed and approved;

3. On 6 August 2015, the Supervisory Committee held the third meeting in 2015, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2015 was reviewed and approved;

4. On 10 November 2015, the Supervisory Committee held the fourth meeting in 2015, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2015 was reviewed and approved.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2015:

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, 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 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 2015: *(continued)*

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

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

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

31 March 2016

DIRECTORS' REPORT

The Directors submit their report together with the audited 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 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATION

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

The activities of the subsidiaries are set out in Note 38 to the accounts.

An analysis of the Group's performance for the year by the Group's reportable segments is set out in Note 6 to the accounts.

CHANGE OF SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 28 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 42 of this annual report.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company at 31 December 2015 calculated under the Company's bye-laws amounted approximately to RMBNil (2014: RMBNil).

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 45 of this annual report and Note 31 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2015 is set out on page 5 of this annual report.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group and the Company had contingent liabilities amounting to RMB20,000,000 (31 December 2014: RMB45,000,000) and RMB20,000,000 (31 December 2014: RMB45,000,000) respectively in connection with the provision of guarantee as security for bank loans granted to its associate.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– The largest supplier	30.33%
– Five largest suppliers combined	47.98%

Sales

– The largest customer	13.21%
– Five largest customers combined	21.71%

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 such major suppliers and customers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

Ms. Sun Li (appointed on 20 August 2015)
Mr. Hao Zhihui
Mr. Wang Shuxin

Non-executive Directors

Mr. Feng Enqing
Mr. Ou Linfeng
Mr. Chen Yingzhong (appointed on 20 August 2015)
Mr. Xie Guangbei (resigned on 30 June 2015)

Independent non-executive Directors

Mr. Guan Tong
Mr. Wu Chen
Mr. Peter K.S. Chan

Supervisors

Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors

Mr. Gao Xianbiao
Mr. Liang Weitao (appointed on 20 August 2015)
Mr. Zhao Kuiying (resigned on 30 June 2015)

Senior Management

Chief Executive Officer

Ms. Sun Li (appointed on 14 September 2015)
Mr. Wang Shuxin (resigned on 14 September 2015)

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen Raymond

DIRECTORS' REPORT

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

According to the requirements of the Articles of the Company, all the directors and supervisors of the Company are appointed for a term of three years and are subject to re-election every three years. In the current session, all the directors and supervisors of the Company were appointed for a term of three years until 31 December 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Sun Li ("Ms. Sun"), aged 42, the Chairman of the Board of Directors of the Company, graduated from the Economic and Trade Faculty of Central South University with a bachelor's degree in Technological Economics in June 1995 and with a master's degree in Management Business Administration Faculty in June 1998. Ms. Sun was among the first batch of candidates who obtained the qualification of sponsor representatives from the Securities Association of China in 2004. Ms. Sun has engaged in investment banking for 15 years, with rich experience in filtering quality corporations, restructuring, counseling, IPO operating as well as mergers and acquisitions of listed companies. From August 1998 to April 2004, she successively acted as business director, senior manager, and business manager at the investment banking headquarter of Dapeng Securities Co., Ltd. (大鵬證券有限責任公司). From May 2004 to August 2005, she served as deputy general manager in Shenzhen investment banking division of Centergate Securities Co., Ltd. (中關村證券股份有限公司). From September 2005 to March 2010, she successively served as business director, internal auditor, member of GEM's advisory committee at the investment banking headquarter of China Merchants Securities Co., Ltd. (招商證券股份有限公司). From April 2010 to April 2013, she served as general manager and internal auditor in mergers and acquisitions division of Minsheng Securities Co., Ltd. (民生證券有限責任公司). From May 2013 until now, she served as president, director and co-partner of Beijing Yingguxinye Investment Co., Ltd (北京盈穀信曄投資有限公司). From September 2014 until now, she was the founding member of Tianjin Teda "Wings of the Angel" Investor Club. From May 2015 until now, she was appointed as supervisors of Shenzhen Xiangyong Investment Company Limited and Dongguan Lvye Fertilizers Company Limited. From September 2015 until now, she, as the beneficial owner of Beijing Tianyuhongtai Technology Co., Ltd. (北京天宇鴻泰科技有限公司), held its 16% shares. From December 2015 until now, she was appointed as a director of Beijing Yingguchuangrong Information Technology Co., Ltd. (北京盈穀創融信息科技股份有限公司). From August 2015 until now, Ms. Sun was appointed as an executive director and the Chairman of the Board of Directors of the Company. From September 2015 until now, she served as Chief Executive Officer of the Company.

Mr. Hao Zhihui ("Mr. Hao"), aged 54, the vice chairman of the Board of Directors of the Company, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd (天津德普生物技術和醫學產品有限公司). From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department (醫藥產業部部長). In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president (常務副總裁) in the Company. He has been the President of the Company from August 2006 to April 2011. Mr. Hao has been appointed as an executive director of the Company since May 2009 and the vice chairman of the Board of Directors of the Company since April 2011.

DIRECTORS' REPORT

Mr. Wang Shuxin ("Mr. Wang"), aged 51, was instrumental in the establishment of Tianjin TEDA International Incubator (天津泰達國際創業中心) ("TTII") in April 1996 and has been the legal representative of Tianjin TEDA Institute of Biomaterials and Medical Engineering (天津開發區泰達生物材料與醫學工程研究所) ("IBME") since January 1998. Mr. Wang graduated from Tianjin University (天津大學) in 1988 with a master's degree in Organic Chemical Engineering (有機化工專業). In February 1999, he obtained a postgraduate qualification in accounting from Tianjin University of Finance and Economics (天津財經學院). In 1997, Mr. Wang participated in the commercialization of the technology relating to clinical catheters. He subsequently became involved in the establishment of IBME in January 1998 and received one of the Ten Outstanding Youth awards (十大杰出青年) in 1998. From September 2000 to August 2015, Mr. Wang was appointed as the Chairman of the Board of Directors of the Company and from July 2013 to September 2015, he served as Chief Executive Officer of the Company, and he also started to serve an executive director of the Company since September 2000.

Non-executive Directors

Mr. Feng Enqing ("Mr. Feng"), aged 57, 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. He was previously the chief engineer of Tianjin Xinggang Textile Manufacture (天津新港紡織廠). Mr. Feng is a director of Alpha and the chief engineer of TTII from 2001 to 2004 and has been the assistant director of Tianjin TEDA International Incubator since 2009. He was appointed as deputy director of the Industrialization Promotion Center (Tianjin Binhai) under National 863 Plan in 2011. He joined the Company in September 2000 and has been appointed as a non-executive director since then.

Mr. Ou Linfeng ("Mr. Ou"), aged 45, graduated with professional business accounting qualification from Guangdong Chaoyang TV University (廣東潮陽廣播電視大學) in 1997. Between August 1994 and December 1998, Mr. Ou was the head of accounting department of the Chaoyang Branch of China Construction Bank and from January 1999 to November 2001, Mr. Ou was appointed a sales manager of Taiyuan Lingyunda Trade Company (太原淩雲達貿易公司). He was appointed by our Group in December 2001 as a sales manager of Guangdong Fulilong, a wholly owned subsidiary of the Company. Since May 2011, Mr. Ou has been promoted to the deputy general manager of Guangdong Fulilong. Mr. Ou has been appointed as a non-executive director of the Company since August 2011.

Mr. Chen Yingzhong ("Mr. Chen"), aged 50, has over 20 years of substantial experience in sales and general management and has been extremely familiar with the business and operations of the Group. Mr. Chen has joined the Group since January 2004 and acted as the General Manager of the Sales Department of Guangdong Fulilong Compound Fertilizers Co. Ltd.. From 2007 to 2012, Mr. Chen assumed the position of the General Manager of the Sales Department of Shandong Hidersun Fertilizer Industry Co., Ltd. ("Shandong Hidersun") and he has been appointed as the chairman of Shandong Hidersun since November 2012. Since March 2009, Mr. Chen has also become the sole equity owner and chairman of Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers"). Mr. Chen has been appointed as an executive director of the Company since May 2014 and also has been appointed as a non-executive director of the Company since August 2015.

Independent Non-executive Directors

Mr. Guan Tong ("Mr. Guan"), aged 47, graduated from the Enterprise Management Faculty (企業管理系) of Nankai University of China in 1993. He was appointed as an accountant of Tianjin Zhonghuan Industrial and Development Company (天津中環實業開發公司) from 1991 to 1997 and as a financial manager of Tianjin LG Electronics Company Limited (天津LG電子有限公司) from 1997 to 1999. Mr. Guan became a qualified PRC Certified Public Accountant in July 2001 and a PRC qualified valuer in October 2003. During the period from 1999 to 2004, Mr. Guan worked with Tianjin Tiandi Certified Public Accountants (天津天地會計師事務所) involving in the audit work of various types of domestic and foreign investment enterprises and in asset valuation. He also participated in the auditing work of a private enterprise in Tianjin which was applying for its shares to be listed on the Singapore Exchange Securities Trading Limited in Singapore. From September 2004, Mr. Guan works with Tianjin Start Point Certified Public Accountants (天津起點會計師事務所) as audit manager. Mr. Guan has been appointed as an independent non-executive director of the Company since September 2005.

Mr. Wu Chen ("Mr. Wu"), aged 71, graduated from the Chemical Engineering Department of Tianjin College of Engineering in 1970. He was awarded the second prize of excellent scientific and technological achievements – N.P. compound fertilizer project in 1982. In April 1990 and December 1991, Mr. Wu was respectively awarded the second and the third prizes by Tianjin Nanjiao District People's Government and Validation Committee of National Spark Award (國家星火獎評審委員會) for his contributions in the transformation of compound fertilizer production line and the development of series of compound fertilizer products. In addition, he was recognized as a senior engineer by the Tianjin Engineering, Technological and Chemical Professional Senior Qualification Review Committee (天津市工程技術化工專業高級資格評審委員會) and awarded a certificate by Tianjin Municipal Personnel Bureau (天津人事局) in April 1996. Mr. Wu has been appointed as an independent non-executive director of the Company since September 2006.

Mr. Chan Kin Sang ("Mr. Chan", alias: Mr. Peter K. S. Chan), aged 64, is the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitors and Notaries. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in laws in 1979. Mr. Chan has been a practising solicitor in Hong Kong since 1982. Mr. Chan was admitted as a notary public in 1997 and as a China-appointed attesting officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors. Mr. Chan has been appointed as an independent non-executive director of the Company since May 2013.

Mr. Chan currently acts as independent non-executive directors of several Hong Kong and overseas listed companies, namely China Taifeng Beddings Holdings Limited (Stock Code: 873), China Precious Metal Resources Holdings Co., Ltd. (Stock Code: 1194), Tianhe Chemicals Group Limited (Stock Code: 1619), China Fortune Financial Group Limited (Stock Code: 290) listed on the Stock Exchange and Runway Global Holdings Company Limited (Stock Code: 1520), as well as Luxking Group Holdings Limited (Stock Code: L34) listed on Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr. Chan also acts as non-executive directors of a number of Hong Kong and overseas listed companies, namely Combest Holdings Limited (Stock Code: 8190) listed on GEM of the Stock Exchange, and Pan Hong Property Group Limited (Stock Code: P36) listed on SGX-ST. In the past three years, Mr. Chan acted as director of a number of Hong Kong and overseas listed companies, namely United Pacific Industries Limited (Stock Code: 176), Pacific Plywood Holdings Limited (Stock Code: 767) listed on GEM of the Stock Exchange and People's Food Holdings Limited (Stock Code: P05) listed on SGX-ST.

DIRECTORS' REPORT

Supervisors

Ms. Yang Chunyan ("Ms. Yang"), aged 39, graduated from Tianjin University (天津大學) in 2005 with a bachelor's degree in financial management. She acquired the title of intermediate-level accountant in 2008. She worked at the Finance Department of TTII from June 1996 to August 2000 and has been working with the Financial Management Department of the Company since September 2000, and has been appointed as Chairman of the Trade Union of the Group since 28 June 2007 and a supervisor of the Company since January 2010.

Ms. Liu Jinyu ("Ms. Liu"), aged 43, 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 has been appointed as a supervisor of the Company since August 2011.

Independent Supervisors

Mr. Gao Xianbiao ("Mr. Gao"), aged 54, graduated from the Agricultural Soil Department (土壤農化系) of Shandong Agricultural Industry University (山東農業大學) in 1982. Mr. Gao has got a technical post of researcher since December 1999. He was the deputy chief and the chief of Soil and Fertilizer Research Institute of Shandong Academy of Agricultural Science (山東省農業科學院土壤肥料研究所) during the periods from October 1997 to October 1999 and from October 1999 to December 2004 respectively. Since December 2004, he has been the chief of Tianjin Soil and Fertilizer Research Institute (天津市土壤肥料研究所) (now known as Tianjin Agricultural Resource and Environmental Research Institute (天津市農業資源和環境研究所). During the period from December 1995 to October 2000, Mr. Gao was granted with a number of the Science and Technology Progress Awards (科學技術進步獎) in Shandong Province.

Liang Weitao ("Mr. Liang"), aged 33, graduated from Tongji University with a bachelor's degree in science, from Zhejiang University with a master degree in science and from City University of Hong Kong with a master's degree in management. Mr. Liang previously worked in the investment banking department of China Merchants Securities and was responsible for/participated in IPO, corporate bonds, refinancing, mergers and acquisitions and reorganization. Mr. Liang currently serves as deputy managing director at the NEEQ business headquarter and responsible person at the recommended quotation division of Greatwall Securities.

SENIOR MANAGEMENT

Chief Executive Officer

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

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen Raymond ("Mr. Ng"), aged 55, was an associate member of the Association of Cost and Executive Accountants in September 1985 and became a fellow member of that Association in October 1986. In November 1997, he was awarded a Graduate Diploma in Administration and a Bachelor Degree of Arts by Australian Catholic University, Australia and Ottawa University, Ottawa, Kansas State, the United States of America respectively. Mr. Ng became a member of the Institute of Certified Public Accountants in Ireland in October 2002, a fellow member of the Institute of Chartered Secretaries and Administrators in November 2003 and an associate member of the Association of International Accountants in June 2004. In April and July 2005, Mr. Ng became a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the Taxation Institute of Hong Kong respectively. Before joining the Company, Mr. Ng has more than 10 years of audit experience.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

The initial term of these contracts was three years commencing on 1 January 2014. The service contracts of the Company's directors and supervisors were renewed for a term of three years commencing from 1 January 2014 as approved at the extraordinary general meeting held on 27 December 2013 unless terminated by either party giving not less than one month's prior written notice to the other.

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

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

MATERIAL CONTRACTS

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

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Chan Kin Sang, 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 2015, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

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

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

Save as disclosed in this paragraph, as at 31 December 2015, 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 2015, the following persons (other than the Directors and the Supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

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

Note: All of the shares represent domestic share.

Save as disclosed above, as at 31 December 2015, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the year ended 31 December 2015, none of the Directors, the Supervisors, or the management shareholders and their respective associates of the Company (as defined under the GEM Listing Rules) competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its shares during the period under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period ended 31 December 2015.

SHARE OPTION SCHEME

For the year ended 31 December 2015, the Company has no existing share option scheme in place.

AUDIT COMMITTEE

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

The audit committee had held four meetings during the current financial year, and it has also reviewed the audited annual results of the Group for the year ended 31 December 2015.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 31 to 39 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 21 May 2015, BDO Limited ("BDO") was re-appointed, and appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Group for the year ended 31 December 2015 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, 31 March 2016

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 emphasize on the establishment of an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with all the provisions of the Code except A.2.1 of the Code during the period under review.

DIRECTORS' SECURITIES TRANSACTION

For the year ended 31 December 2015, 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 page 23 under the section headed "Directors, Supervisors and Senior Management" of this annual report.

The Board, currently headed by the Chairman, Ms. Sun Li, is responsible for overall corporate development strategy, annual and interim results, implementation of corporate plans, risk management, major acquisitions, disposals and capital raising, and other significant operational and financial matters. The Chairman of the Board has focused on the effective operation of the Board, and encouraged all the Directors to devote themselves to the affairs of the Board, perform their own duties and discuss all the important issues in a timely manner. The Chairman also supervised the implementation and review of good corporate governance practices and procedures. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before publication, execution of business strategies and initiatives adopted by the board of Directors, effective implementation of internal controls system and risk management procedures, 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 2015 were:

Executive Directors

Ms. Sun Li (appointed on 20 August 2015)
Mr. Hao Zhihui
Mr. Wang Shuxin

Non-executive Directors

Mr. Feng Enqing
Mr. Ou Linfeng
Mr. Chen Yingzhong (appointed on 20 August 2015)
Mr. Xie Guangbei (resigned on 30 June 2015)

Independent non-executive Directors

Mr. Guan Tong
Mr. Wu Chen
Mr. Peter K.S. Chan

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. From September 2015, 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 and future development of the Company. 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 proper internal control system is in place and the Group's business conforms to the applicable laws and regulations.

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

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.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

Throughout the year, the Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. The Board of Directors holds at least four meetings per year (one official Board meeting for each quarter at least). During 2015, the Board held 10 meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results and annual results, dividends, the Group's annual budget, business and investments etc. In addition, the Group's management also met with certain non-executive Directors to seek their views on certain business or operational matters. Apart from the regular board meetings of the year, the board of Directors has met on other occasions when a board-level decision on a particular matter was required. The Directors has received details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The Directors have attended meetings in person or through other means of electronic communication in accordance with the Company's Articles. Notice of at least 15 days has been given of a regular board meeting to enable the Directors to make informed decisions on matters to be raised at the board meetings. Independent non-executive Directors and other non-executive Directors have been treated the same as other members of the Board, and have attended the board meetings and the committee meetings where they served as a member to actively participate in the discussion of the issues proposed at the meetings and advice on the developing strategy of the Company based on their own professional background, skills and qualifications. They have also attended general meetings and developed a balanced understanding of the views of shareholders. Besides, pursuant to the requirements of the Code, all directors have received continuous professional development training. During the period under review, the Company arranged one special trainings in relation to the GEM Listing Rules for the Directors, Supervisors and the senior management, which covered the review of the GEM Listing Rules on disclosure of financial information with reference to the new Companies Ordinance, HKFRSs and other proposed minor/housekeeping GEM Listing Rules amendments, which became effective on 1 April 2015, and amendments to the GEM Listing Rules related to risk management procedures and internal control system in the Corporate Governance Code and Corporate Governance Report, which became effective for the accounting period beginning on or after 1 January 2016.

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 Meeting	Attendance/ Number of General Meetings	Attendance/ Number of the Training Course
Executive Directors			
Ms. Sun Li (appointed on 20 August 2015)	4/4	0/0	0/0
Mr. Hao Zhihui	9/10	2/3	1/1
Mr. Wang Shuxin	9/10	3/3	1/1
Non-executive Directors			
Mr. Feng Enqing	10/10	1/3	1/1
Mr. Ou Linfeng	7/10	0/3	1/1
Mr. Chen Yingzhong (appointed on 20 August 2015)	9/10	0/3	1/1
Mr. Xie Guangbei (resigned on 30 June 2015)	3/4	0/2	1/1
Independent Non-executive Directors			
Mr. Guan Tong	10/10	2/3	1/1
Mr. Wu Chen	9/10	0/3	1/1
Mr. Peter K.S. Chan	10/10	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 advise 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.

AUDIT COMMITTEE

The Group had established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, among whom, Mr. Guan Tong (關彤) was appointed as the chairman of the committee by virtue of the appropriate professional qualifications and auditing experience as required under the GEM Listing Rules.

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 financial statements. In addition, the Audit Committee was also engaged in, among other things, (i) reviewing the implementation of the internal control system of the Group; (ii) reviewing and supervising the financial reporting process; (iii) reviewing the risk management systems of the Group; and (iv) 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 2015 and the 2015 annual report.

The attendance record of the audit committee meetings is as follows:

Name of directors	**Attendance/ Number of Meetings held**
Mr. Guan Tong	6/6
Mr. Wu Chen	6/6
Mr. Peter K.S. Chan	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 21 May 2015 until the conclusion of the forthcoming annual general meeting of the Company.

The annual consolidated financial statements for the financial year ended 31 December 2015 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 2013, 2014 and 2015 was BDO.

EXTERNAL AUDITOR *(continued)*

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 2015 is set out as follows:

Types of Services	Fee paid/payable for the year ended 31 December 2015 RMB'000	for the year ended 31 December 2014 RMB'000
Audit services		
– Annual audit of the financial statement of the company and its subsidiaries	**1,132**	1,177
Non-audit services	**Nil**	111

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. The nomination committee consists of the chairman Ms. Sun Li, who is also the Chairman of the Board, and two members, namely Mr. Guan Tong and Mr. Wu Chen, who are independent non-executive directors.

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.

The attendance record of the nomination committee meetings is as follows:

Name of directors	Attendance/ Number of Meetings held
Ms. Sun Li (appointed on 20 August 2015)	2/2
Mr. Guan Tong	3/3
Mr. Wu Chen	3/3
Mr. Wang Shuxin (resigned on 20 August 2015)	1/1

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. The remuneration committee consists of the chairman Mr. Guan Tong, an independent non-executive Director, and two members, namely Mr. Wu Chen, an independent non-executive director and Mr. Chen Yingzhong, a non-executive director.

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.

The attendance record of the remuneration committee meetings is as follows:

Name of directors	**Attendance/ Number of Meetings held**
Mr. Guan Tong	2/2
Mr. Wu Chen	2/2
Mr. Chen Yingzhong (appointed on 20 August 2015)	1/1
Mr. Xie Guangbei (resigned on 30 June 2015)	0/1

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

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Name of Directors	2015 (RMB) Salaries, allowances and benefit in kind	2015 (RMB) Retirement benefits scheme contributions	2015 (RMB) Total	2014 (RMB) Salaries, allowances and benefit in kind	2014 (RMB) Retirement benefits scheme contributions	2014 (RMB) Total
Executive Directors						
Ms. Sun Li (appointed on 20 August 2015)	**190,246**	**–**	**190,246**	–	–	–
Mr. Hao Zhihui	**592,037**	**112,945**	**704,982**	589,676	110,019	699,695
Mr. Wang Shuxin	**617,552**	**115,321**	**732,873**	616,174	112,611	728,785
Non-executive Directors						
Mr. Feng Enqing	**41,355**	**–**	**41,355**	41,355	–	41,355
Mr. Ou Linfeng	**–**	**–**	**–**	–	–	–
Mr. Chen Yingzhong (appointed on 20 August 2015)	**–**	**–**	**–**	–	–	–
Independent non-executive Directors						
Mr. Guan Tong	**41,355**	**–**	**41,355**	41,355	–	41,355
Mr. Wu Chen	**41,355**	**–**	**41,355**	41,355	–	41,355
Mr. Peter K.S. Chan	**144,931**	**–**	**144,931**	143,644	–	143,644

Name of Senior Management	2015 (RMB) Salaries, allowances and benefit in kind	2015 (RMB) Retirement benefits scheme contributions	2015 (RMB) Total	2014 (RMB) Salaries, allowances and benefit in kind	2014 (RMB) Retirement benefits scheme contributions	2014 (RMB) Total
Chief Executive Officer						
Ms. Sun Li (appointed on 14 September 2015)	**190,246**	**–**	**190,246**	–	–	–
Mr. Wang Shuxin (resigned on 14 September 2015)	**617,552**	**115,321**	**732,873**	616,174	112,611	728,785
Qualified Accountant/ Company Secretary						
Mr. Ng Ka Kuen Raymond	**150,000**	**–**	**150,000**	150,000	–	150,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and the applicable accounting standards. The Directors also ensure the timely publication of the 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 pages 40 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.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure that it has adopted an effective and adequate internal control system. The Company convened meetings periodically to discuss financial, operational and risk management control measures. The Audit Committee also reviews the internal control systems and evaluates their adequacy, effectiveness and compliance on a regular basis.

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.

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.

SHAREHOLDERS' RIGHTS *(continued)*

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 21 May 2015 and the extraordinary general meetings held on 16 April 2015 and 20 August 2015 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.

For the year ended 31 December 2015, the Company implemented the procedures for amending the Articles according to the circular published by the Company on 28 April 2015 based on the results of approval granted at the EGM convened on 16 April 2015 following the announcement in relation to the completion of placing new H Shares published on 25 February 2015 on the GEM website, and such amendment mainly related to Article 20 which sets out the total issued share capital of the Company and the respective number of the Domestic Shares and the H Shares, and Article 23 which sets out the registered capital of the Company.

INDEPENDENT AUDITOR'S REPORT

BDO

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TO THE MEMBERS 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)

We have audited the consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 42 to 102, which comprise the consolidated statements of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB	2014 RMB (Re-presented)
Continuing operation			
Revenue	7	**501,589,528**	470,267,081
Cost of sales		**(404,868,747)**	(391,555,071)
Gross profit		**96,720,781**	78,712,010
Other income and net losses	8	**(350,981)**	(588,850)
Selling and distribution costs		**(23,514,871)**	(19,304,116)
Administrative expenses		**(21,507,630)**	(17,887,372)
Research and development expenses		**(15,416,009)**	(7,219,908)
Finance costs	9	**(4,657,425)**	(4,171,557)
Gain on deemed disposal of an associate	17	**686,067**	–
Share of loss of an associate	17	**(10,870)**	–
Profit before income tax expense	9	**31,949,062**	29,540,207
Income tax expense	11	**(4,502,496)**	(7,966,657)
Profit for the year from continuing operation		**27,446,566**	21,573,550
Discontinued operation			
Loss for the year from discontinued operation	10	**(4,496,403)**	(2,614,497)
Profit and total comprehensive income for the year		**22,950,163**	18,959,053
Attributable to:			
Owners of the Company			
– Profit for the year from continuing operation		**27,164,413**	20,700,518
– Loss for the year from discontinued operation		**(1,599,901)**	(2,913,090)
Profit for the year attributable to owners of the Company		**25,564,512**	17,787,428
Non-controlling interests			
– Profit for the year from continuing operation		**282,153**	873,032
– (Loss)/profit for the year from discontinued operation		**(2,896,502)**	298,593
(Loss)/profit for the year attributable to non-controlling interests		**(2,614,349)**	1,171,625
		22,950,163	18,959,053
Earnings per share			
From continuing and discontinued operation	13		
– Basic and diluted		**1.66**	1.25
From continuing operation	13		
– Basic and diluted		**1.76**	1.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB	2014 RMB
Non-current assets			
Property, plant and equipment	15	**70,715,068**	96,371,284
Goodwill	16	**–**	3,133,932
Interest in an associate	17	**20,675,197**	–
Prepaid land lease payments	18	**8,233,355**	8,423,182
Total non-current assets		**99,623,620**	107,928,398
Current assets			
Inventories	19	**90,377,523**	138,376,713
Trade and bills receivables	20	**78,395,214**	103,319,636
Prepayments and other receivables	21	**79,562,058**	34,613,281
Amount due from an associate	22	**4,909,468**	–
Bank balances and cash	23	**105,637,380**	48,383,977
Total current assets		**358,881,643**	324,693,607
Total assets		**458,505,263**	432,622,005
Current liabilities			
Trade payables	24	**24,747,935**	39,926,921
Other payables and accruals	25	**17,472,089**	31,932,275
Financial liabilities	26	**24,145,000**	22,439,591
Current tax liabilities		**2,706,598**	7,325,602
Bank borrowings	27	**45,000,000**	87,300,000
Total current liabilities		**114,071,622**	188,924,389
Net current assets		**244,810,021**	135,769,218
Total assets less current liabilities		**344,433,641**	243,697,616
NET ASSETS		**344,433,641**	243,697,616

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB	2014 RMB
Capital and reserves attributable to owners of the Company			
Share capital	28	**159,500,000**	142,000,000
Reserves		**160,436,958**	56,020,985
Equity attributable to owners of the Company		**319,936,958**	198,020,985
Non-controlling interests	30	**24,496,683**	45,676,631
TOTAL EQUITY		**344,433,641**	243,697,616

On behalf of the Board

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital Note 28 RMB	Share premium Note 31(i) RMB	Surplus reserve Note 31(ii) RMB	Capital reserve Note 31(iii) RMB	Other reserve Note 31(v) RMB	Accumulated losses Note 31(iv) RMB	Attributable to owners of the Company RMB	Non-controlling interests Note 30 RMB	Total RMB
Balance as at 1 January 2014	142,000,000	75,816,410	6,831,045	2,541,404	–	(25,759,391)	201,429,468	23,341,498	224,770,966
Profit and total comprehensive income for the year	–	–	–	–	–	17,787,428	17,787,428	1,171,625	18,959,053
Written put option over non controlling interests	–	–	–	–	(22,032,403)	–	(22,032,403)	–	(22,032,403)
Change in ownership in interests in subsidiaries without change of control (Note 30)	–	–	–	–	–	836,492	836,492	21,163,508	22,000,000
Balance as at 31 December 2014	142,000,000	75,816,410	6,831,045	2,541,404	(22,032,403)	(7,135,471)	198,020,985	45,676,631	243,697,616
Profit and total comprehensive income for the year	–	–	–	–	–	25,564,512	25,564,512	(2,614,349)	22,950,163
Deemed disposal of interests in a subsidiary (Note 29)	–	–	(3,113,349)	–	–	3,113,349	–	(18,565,599)	(18,565,599)
Issue of new shares	17,500,000	78,851,461	–	–	–	–	96,351,461	–	96,351,461
Balance as at 31 December 2015	159,500,000	154,667,871	3,717,696	2,541,404	(22,032,403)	21,542,390	319,936,958	24,496,683	344,433,641

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB	2014 RMB (Re-presented)
Cash flows from operating activities			
Profit before income tax expense		**31,949,062**	29,540,207
Loss before tax from discontinued operation		**(4,496,403)**	(2,754,958)
		27,452,659	26,785,249
Adjustments for:			
Amortisation of prepaid land lease payments		**189,827**	189,827
Depreciation		**10,647,583**	9,206,886
Interest expense		**6,859,508**	8,133,057
Interest income		**(262,403)**	(48,122)
(Reversal of)/provision for bad debt of trade and other receivables		**(217,213)**	1,182,329
Provision for obsolete stock, net		**426,839**	258,158
Gain on disposal of property, plant and equipment		**(45,087)**	(148,217)
Gain on deemed disposal of a subsidiary		**(1,560,249)**	–
Gain on deemed disposal of an associate		**(686,067)**	–
Share of loss of an associate		**10,870**	–
Operating cash flows before working capital changes		**42,816,267**	45,559,167
Decrease/(increase) in inventories		**38,163,599**	(29,496,350)
(Increase)/decrease in trade and bills receivables		**(35,158,528)**	7,491,459
(Increase)/decrease in prepayments and other receivables		**(50,593,912)**	24,614,455
Decrease in trade payables		**(6,168,644)**	(15,479,631)
Decrease in other payables and accruals		**(6,564,589)**	(1,360,523)
Cash (used in)/generated from operations		**(17,505,807)**	31,328,577
Income tax paid		**(9,121,500)**	(4,392,642)
Interest paid		**(5,177,862)**	(7,508,161)
Net cash (used in)/generated from operating activities		**(31,805,169)**	19,427,774
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,214,817)**	(22,594,575)
Proceeds from disposal of property, plant and equipment		**459,653**	393,703
Deemed disposal of a subsidiary upon lost of control	29	**(2,500,128)**	–
Decrease in restricted bank deposits		**–**	1,000,000
Interest received		**262,403**	48,122
Net cash used in investing activities		**(8,992,889)**	(21,152,750)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB	2014 RMB (Re-presented)
Cash flows from financing activities			
New bank borrowings		**63,300,000**	94,300,000
Repayment of bank borrowings		**(85,600,000)**	(109,300,000)
Proceed from partial disposal of a subsidiary	30	**–**	22,000,000
Proceed from issue of new shares		**96,351,461**	–
Capital injection from shareholders of subsidiary		**24,000,000**	–
Net cash generated from financing activities		**98,051,461**	7,000,000
Net increase in cash and cash equivalents		**57,253,403**	5,275,024
Cash and cash equivalents at beginning of year		**48,383,977**	43,108,953
Cash and cash equivalents at end of year		**105,637,380**	48,383,977
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash	37	**105,637,380**	48,383,977

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1. CORPORATE INFORMATION

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

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

The Company and its subsidiaries (hereafter referred to as the "Group") principally engages in manufacturing and sale of biological compound fertiliser products and health care products – discontinued operation. The principal activities and other particulars of the subsidiaries are set out in Note 38 to the consolidated financial statements. The address of its registered office and principal place of business is disclosed in the "Corporate Information" section to the annual report.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS16 has no impact on these financial statements as the Group did not make any revaluation of its property, plant and equipment.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2015 *(continued)*

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

The adoption of the amendments has no impact on these financial statements as the Group has no defined benefit plans.

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

The following new and 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.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after a date to be determined

Annual Improvements 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 1 – Disclosure Initiative

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

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

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

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

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

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

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

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

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

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.

Amendments to HKFRS10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

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

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 steps approach to revenue recognition:

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

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

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

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The Directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 Listings Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of consideration given in exchange of goods.

(c) Functional and presentation currency

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

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 in line with those used by other members of the Group.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

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

(b) Subsidiaries

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

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

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(h)), and whenever there is an indication that the unit may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill *(continued)*

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 is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the year in which it is incurred. In situations where it is probable that future economic benefits associated with the subsequent expenditure will flow to the Group and the cost can be measured reliably, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

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

Renovations and improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress represents buildings, plant and machinery and other property, plant and equipment under construction and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as interest charges during the period of construction, installation and testing and certain exchange differences on any related borrowed funds. Capitalisation of interest charges ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. Construction in progress is transferred to appropriate class of property, plant and equipment when 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Prepaid land lease payments

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(g) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the assets that will generate probable future economic benefits. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

(h) 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of assets (other than financial assets) *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and 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.

(j) Financial instruments

(i) Financial assets

The Group classifies its financial assets into loans and receivables based on the purpose for which the assets were acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(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) 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks. 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.

(l) Leases

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(m) 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.

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Year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) 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 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.

(o) 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.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(p) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Foreign currencies *(continued)*

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.

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

(q) Revenue recognition

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

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

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employees' benefits

(i) Short term 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.

(s) 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.

(t) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

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 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, 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.

Critical judgment in applying accounting policies

De-facto control

De-facto control exists when the size of an entity's own voting, rights relative to the size and disbursement of other vote holders, give the entity the practical ability to unilaterally direct the relevant activities of the investee. The Company holds 38.84% equity interests in Tianjin Alpha after the Capital Contribution as described in Note 1, however Jinnasen warranted their voting decision in according to the Company until 30 September 2015 which together with the Company's existing voting rights had given rise to more than 50% voting rights of Tianjin Alpha to the Company until 30 September 2015. The Group has determined that the Company has the practical ability to unilaterally direct the relevant activities of Tianjin Alpha, and has consolidated Tianjin Alpha as a subsidiary with a 61.16% non-controlling interest from June 2015 to September 2015.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of resulting a material adjustment to the carrying amounts of the Company's and the Group's assets and liabilities within the next financial year are discussed below.

Provision against 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 judgment 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 charge/written back in the period in which the estimate has been changed.

Provision for doubtful debts

Provision for doubtful debts is made based on assessment of the recoverability of trade debtors and other receivables. The identification of doubtful debts requires management judgment 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 debtors and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

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

Key sources of estimation uncertainty *(continued)*

Taxation

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

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

6. SEGMENT INFORMATION

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

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

Continuing operation

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

Discontinued operation

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

6. SEGMENT INFORMATION *(continued)*

(a) Segment revenue and results

For the year ended 31 December 2015

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

For the year ended 31 December 2014

	Continuing Operation Fertiliser products RMB	Discontinued Operation Health care products RMB	Total RMB
Revenue to external customers	470,267,081	81,774,292	552,041,373
Segment profit/(loss) before income tax expense	29,540,207	(2,754,958)	26,785,249

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2015 RMB	2014 RMB
Segment assets		
Fertiliser products (Continuing operation)	**457,480,104**	324,583,756
Health care products (Discontinued operation)	**–**	107,013,162
Segment assets	**457,480,104**	431,596,918
Unallocated	**1,025,159**	1,025,087
Consolidated total assets	**458,505,263**	432,622,005

6. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities *(continued)*

The unallocated assets represented the corporate assets of the Company.

	2015 RMB	2014 RMB
Segment liabilities		
Fertiliser products (Continuing operation)	**109,435,450**	83,259,926
Health care products (Discontinued operation)	**–**	78,764,979
Segment liabilities	**109,435,450**	162,024,905
Unallocated	**4,636,172**	26,899,484
Consolidated total liabilities	**114,071,622**	188,924,389

The unallocated liabilities represent the corporate payables of the Company.

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

For the year ended 31 December 2015

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

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Year ended 31 December 2015

6. SEGMENT INFORMATION *(continued)*

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

For the year ended 31 December 2014

	Continuing Operation Fertiliser Products RMB	Discontinued Operation Health care products RMB	Total RMB
Interest income	24,636	23,486	48,122
Finance costs	3,571,536	4,561,521	8,133,057
Income tax expense	4,492,880	3,333,316	7,826,196
Amortisation of prepaid land lease payments	189,827	–	189,827
Depreciation	7,753,789	1,453,097	9,206,886
(Reversal of)/provision for bad debt of trade and other receivables	(868,075)	2,050,404	1,182,329
Provision for obsolete stock, net	258,158	–	258,158
Additions to non-current assets	6,213,948	22,961,747	29,175,695
Gain on disposal of property, plant and equipment	141,990	6,227	148,217

(d) Geographical information and major customers

The Group's revenue from external customers is derived solely from its operations in the PRC, where all its non-current assets are located. In 2015 and 2014, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

7. REVENUE

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

	2015 RMB	2014 RMB (Re-presented)
Continuing operation		
Fertiliser products	**501,589,528**	470,267,081
Discontinued operation		
Health care products	**57,449,705**	81,774,292
	559,039,233	552,041,373

8. OTHER INCOME AND NET LOSSES

	2015 RMB	2014 RMB (Re-presented)
Continuing operation		
Gain on disposal of property, plant and equipment	**301,876**	141,990
Government grants (Note)	**360,500**	62,000
Interest income	**251,426**	24,636
Others	**(753,296)**	(382,086)
	160,506	(153,460)
Less: Business tax	**(511,487)**	(435,390)
	(350,981)	(588,850)

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

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging/(crediting):

	2015	2014
	RMB	RMB
		(Re-presented)
Continuing operations		
Finance costs		
Interest expense on bank borrowings	**2,952,016**	3,764,369
Interest expense on financial liabilities	**1,705,409**	407,188
	4,657,425	4,171,557
Auditor's remuneration	**1,131,736**	1,266,485
Research and development expenses	**15,416,009**	7,219,908
Cost of inventories recognised as expense	**404,868,747**	391,555,071
Depreciation on property, plant and equipment	**8,203,299**	7,753,789
Amortisation of prepaid land lease payments	**189,827**	189,827
Allowance for/(reversal of) impairment losses on (net):		
– Trade receivables	**146,785**	(1,032,841)
– Other receivables	**147,070**	164,766
Operating lease rentals:		
– land and buildings	**1,056,965**	1,105,257
– equipment	**570,940**	600,000
Employee costs (including emoluments of directors and supervisors):		
– Salaries and allowances	**22,468,667**	23,016,039
– Pension fund contribution	**2,641,085**	2,378,843
	25,109,752	25,394,882

Note: No borrowing costs attributable to qualifying assets have been capitalised during the year ended 31 December 2015.

During the year ended 31 December 2014, borrowing costs of approximately RMB30,000 attributable to qualifying assets have been capitalised with a capitalisation rate of 7.37%.

10. DISCONTINUED OPERATION

The Group reduced its equity interests of Tianjin Alpha from 50.16% to 38.84% after the Capital Contribution set out in the announcement of the Company dated 30 September 2015. Tianjin Alpha ceased to be a subsidiary of the Company on 1 October 2015 and constituted a deemed disposal of interests in subsidiary (Note 29).

Tianjin Alpha becomes an associate of the Group since 1 October 2015 as the Company is able to exercise significant influence in Tianjin Alpha (Note 17).

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

	Note	**9 months to 30 September 2015 RMB**	12 months to 31 December 2014 RMB
Turnover		**57,449,705**	81,774,292
Expenses		**(63,506,357)**	(84,529,250)
Loss before tax		**(6,056,652)**	(2,754,958)
Income tax credit		**–**	140,461
		(6,056,652)	(2,614,497)
Gain on deemed disposal of a subsidiary	29	**1,560,249**	–
Loss from the period from discontinued operation		**(4,496,403)**	(2,614,497)
Net cash (outflows)/inflows from operating activities		**(9,510,981)**	35,165,568
Net cash outflows from investing activities		**(1,090,457)**	(22,816,663)
Net cash outflows from financing activities		**(1,000,000)**	(10,000,000)
Net cash flows incurred by the discontinued operation		**(11,601,438)**	2,348,905

The carrying amounts of the assets and liabilities of Tianjin Alpha at the date of deemed disposal is disclosed in note 29 to the consolidated financial statements.

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

For the purpose of presenting discontinued operation, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

11. INCOME TAX EXPENSE

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

	2015 RMB	2014 RMB (Re-presented)
Continuing operation		
Current tax		
– tax for the year	**4,579,994**	8,042,637
– over provision in respect of prior years	**(77,498)**	(75,980)
	4,502,496	7,966,657
Discontinued operation		
Current tax		
– tax for the year	**–**	–
– over provision in respect of prior years	**–**	(140,461)
	–	(140,461)
	4,502,496	7,826,196

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% (2014:25%), except for the following companies.

Guangdong Fulilong Compound Fertilisers Co., Ltd. is recognised as a High and New-Tech enterprise according to the PRC tax regulations and is entitled to a preferential tax rate of 15% (2014:15%).

During the year ended 31 December 2015, Tianjin Alpha HealthCare Products Co., Ltd. is recognised as a High and New-Tech enterprise according to the PRC tax regulations and is entitled to a preferential tax rate of 15%. (2014:25%)

11. INCOME TAX EXPENSE *(continued)*

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

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

	2015 RMB	2014 RMB (Re-presented)
Profit before income tax expense		
Continuing operations	**31,949,062**	29,540,207
Discontinued operations	**(4,496,403)**	(2,754,958)
	27,452,659	26,785,249
Calculated at statutory rate of 25% (2014: 25%)	**6,863,165**	6,696,312
Tax effect of share of loss of an associate	**2,718**	–
Tax effect of non-taxable items	**(689,346)**	(169,150)
Tax effect of expenses not deductible for taxation purposes	**234,470**	857,597
Tax effect on unused tax losses not recognised	**1,675,359**	–
Tax rate differential and preferential tax treatment	**(3,765,109)**	(3,205,479)
Tax effect on partial disposal of a subsidiary	**–**	3,473,777
Over provision in prior years	**(77,498)**	(216,441)
Others	**258,737**	389,580
Income tax expense	**4,502,496**	7,826,196

(b) Deferred taxation

At 31 December 2015, the Group has unused tax losses of RMB2.8 million (2014: Nil) that are available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

12. DIVIDEND

No dividend has been paid nor declared by the Company during the year (2014: Nil).

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Year ended 31 December 2015

13. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2015 RMB	2014 RMB (Re-presented)
Profit from continuing and discontinued operations		
Earnings for the purpose of basic and diluted earnings per share	**25,564,512**	17,787,428
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,542,260,274**	1,420,000,000

From continuing operation

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

	2015 RMB	2014 RMB (Re-presented)
Profit for the year attributable to owners of the Company	**25,564,512**	17,787,428
Add: Loss for the year from discontinued operation	**1,599,901**	2,913,090
Earnings for the purpose of basic and diluted earnings per share from continuing operation	**27,164,413**	20,700,518
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,542,260,274**	1,420,000,000

From discontinued operations

Basic and diluted loss per share for the discontinued operation is 0.10 cents per share (2014: 0.21 cents per share), based on the loss for the year from the discontinued operations of RMB1,599,901 (2014: RMB2,913,090) and the denominators detailed above for both basic and diluted losses per share.

14. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors' and supervisors' emoluments

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

	2015 RMB	2014 RMB
Fees	**310,351**	322,242
Salaries and other benefits	**1,592,340**	1,392,194
Retirement benefits scheme contributions	**285,828**	280,366
	2,188,519	1,994,802

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

Executive directors:

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

	Fees emoluments RMB	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2015				
Ms Sun Li (i)	**–**	**190,246**	**–**	**190,246**
Mr Wang Shuxin	**–**	**617,552**	**115,321**	**732,873**
Mr Hao Zhihui	**–**	**592,037**	**112,945**	**704,982**
Mr Chen Yingzhong (ii)	**–**	**–**	**–**	**–**
	–	**1,399,835**	**228,266**	**1,628,101**
2014				
Mr Wang Shuxin	–	616,174	112,611	728,785
Mr Hao Zhihui	–	589,676	110,019	699,695
Mr Chen Yingzhong (iii)	–	–	–	–
	–	1,205,850	222,630	1,428,480

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

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

Non-executive directors:

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

	2015 RMB	2014 RMB
Mr Feng Enqing	**41,355**	41,355
Mr Xie Guangbei (iv)	**41,355**	41,355
Mr Ou Linfeng	**–**	–
Mr. Chen Yingzhong (i)	**–**	–
	82,710	82,710

Independent non-executive directors:

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

	2015 RMB	2014 RMB
Mr Guan Tong	**41,355**	41,355
Mr Chan Kin Sang	**144,931**	143,644
Mr Wu Chen	**41,355**	41,355
	227,641	226,354

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

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

Supervisors:

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

	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2015			
Ms Yang Chunyan	**87,804**	**29,620**	**117,424**
Ms Liu Jinyu	**94,700**	**27,943**	**122,643**
	182,504	**57,563**	**240,067**
2014			
Ms Yang Chunyan	90,104	29,710	119,814
Ms Liu Jinyu	96,240	28,027	124,267
	186,344	57,737	244,081

Independent supervisors:

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

	2015 RMB	2014 RMB
Mr Gao Xianbiao (iv)	**–**	13,177
Mr. Liang Weitao (i)	**10,000**	–
Mr Zhao Kuiying	**–**	–
	10,000	13,177

(i) Appointed on 20 August 2015
(ii) Resigned on 20 August 2015
(iii) Appointed on 13 May 2014
(iv) Resigned on 30 June 2015

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2014: three) individuals during the year are as follows:

	2015 RMB	2014 RMB
Salaries and other benefits	**239,632**	456,852
Retirement benefits scheme contributions	**27,943**	5,154
Salaries, housing and other allowances	**267,575**	462,006

The emoluments fell within the following bands:

	Number of individuals	
	2015 RMB	2014 RMB
Nil – RMB803,200 (2014: RMB792,900) (equivalent to Nil – HK$1,000,000)	**2**	3

(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 (2014: Nil).

None of the directors and supervisors waived any emoluments during the year (2014: Nil).

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Year ended 31 December 2015

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Other structures and improvements RMB	Plant and machinery RMB	Motor vehicles RMB	Furniture, fixtures and equipment RMB	Construction in progress RMB	Total RMB
Cost							
At 1 January 2014	48,167,183	9,902,614	53,747,870	10,586,077	6,072,971	3,032,616	131,509,331
Additions	–	–	5,095,295	2,255,431	391,044	21,433,925	29,175,695
Transfers	–	16,844,642	–	–	–	(16,844,642)	–
Disposals	–	–	(76,282)	(1,338,206)	–	–	(1,414,488)
Write off	(3,269,277)	–	–	–	–	–	(3,269,277)
At 31 December 2014	44,897,906	26,747,256	58,766,883	11,503,302	6,464,015	7,621,899	156,001,261
Additions	–	4,805,078	1,309,408	1,349,479	311,696	995,127	8,770,788
Transfers	3,251,415	2,024,649	–	–	–	(5,276,064)	–
Disposals	–	–	(2,975,086)	(1,040,707)	(80,540)	–	(4,096,333)
Disposal of a subsidiary	–	(18,095,286)	(6,548,175)	(3,019,942)	(1,818,743)	(1,335,556)	(30,817,702)
At 31 December 2015	48,149,321	15,481,697	50,553,030	8,792,132	4,876,428	2,005,406	129,858,014
Accumulated depreciation							
At 1 January 2014	11,364,297	1,454,588	29,793,584	6,472,996	3,965,569	1,810,336	54,861,370
Charge for the year	1,319,023	942,306	5,106,578	1,349,377	489,602	–	9,206,886
Written back on disposals	–	–	(2,289)	(1,166,713)	–	–	(1,169,002)
Write off	(3,269,277)	–	–	–	–	–	(3,269,277)
At 31 December 2014	9,414,043	2,396,894	34,897,873	6,655,660	4,455,171	1,810,336	59,629,977
Charge for the year	1,006,996	2,497,465	5,335,326	1,349,672	458,124	–	10,647,583
Written back on disposals	–	–	(2,651,741)	(959,219)	(70,807)	–	(3,681,767)
Eliminated on disposals of a subsidiary	–	(1,808,427)	(2,299,327)	(1,964,407)	(1,380,686)	–	(7,452,847)
At 31 December 2015	10,421,039	3,085,932	35,282,131	5,081,706	3,461,802	1,810,336	59,142,946
Carrying amount							
At 31 December 2015	37,728,282	12,395,765	15,270,899	3,710,426	1,414,626	195,070	70,715,068
At 31 December 2014	35,483,863	24,350,362	23,869,010	4,847,642	2,008,844	5,811,563	96,371,284

Notes:

(1) At 31 December 2015, the carrying amount of property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to approximately RMB24 million (2014: RMB20 million) (Note 27).

16. GOODWILL

	2015 RMB	2014 RMB
At 31 December	–	3,133,932

Impairment of goodwill

The recoverable amount of the goodwill for the year ended 31 December 2014 was determined based on the cash generating unit ("CGU") of the Group's manufacture and sale of health care food and related products to which the goodwill belongs on the value-in-use basis. The calculation is based on the most recent financial budgets for the next five years approved by management of the Group. The following key assumptions have been made for the purpose of analysis:

1 Gross margin ratio of 46%
2 Pre-tax discount rate of 14% per year
3 Average growth rate of 4%

Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development. The cash flow beyond the five-year period are extrapolated using average growth rate, which does not exceed the average growth rate of the past industry growth rate. The discount rate is determined based on the PRC risk-free interest rate adjusted by the specific risk associated with the CGU.

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2014.

The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

During the year ended 31 December 2015, goodwill was derecognised on deemed disposal of a subsidiary. Details please refer to note 29 to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

17. INTEREST IN AN ASSOCIATE

	2015 RMB	2014 RMB
Cost of unlisted investment in an associate		
Unlisted investments	**20,000,000**	–
Gain on deemed disposal	**686,067**	–
Share of post-acquisition loss	**(10,870)**	–
	20,675,197	–

Details of the Group's associate is as follow:

	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. 天津阿爾發保健品有限公司 ("Tianjin Alpha")	Corporation	PRC	33.66%	Manufacturing and sale of sugar-reducing and sugar-free health products in the PRC

Note:

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

The principal activities of Tianjin Alpha are manufacturing and sales of sugar-reducing and sugar-free health products in the PRC.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

17. INTEREST IN AN ASSOCIATE *(continued)*

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

	2015 RMB
Current assets	**82,658,511**
Non-current assets	**22,955,795**
Current liabilities	**47,812,580**
Non-current liabilities	**–**
Revenue	**75,868,793**
Loss from continued operations	**4,496,403**
The Group's share of loss of an associate for the year	**10,870**

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

	2015 RMB
Proportion of the Group's interest in the associate	**33.66%**
Group's share of net assets of the associate	**19,456,061**
Fair value adjustment	**533,069**
Gain on deemed disposal	**686,067**
Carrying amount of the Group	**20,675,197**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

18. PREPAID LAND LEASE PAYMENTS

	2015 RMB	2014 RMB
Cost		
At 1 January and 31 December	**9,418,796**	9,418,796
Accumulated amortisation and impairment		
At 1 January	**805,787**	615,960
Charge for the year	**189,827**	189,827
At 31 December	**995,614**	805,787
Carrying amount		
At 31 December	**8,423,182**	8,613,009
Portion classified as current assets (included in prepayments and other receivables)	**189,827**	189,827
Non-current assets	**8,233,355**	8,423,182
	8,423,182	8,613,009

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

19. INVENTORIES

	2015 RMB	2014 RMB
Raw materials	**39,494,941**	85,856,149
Work-in-progress	**–**	709,000
Finished goods	**39,890,265**	40,998,008
Packaging materials	**13,396,248**	12,790,648
	92,781,454	140,353,805
Less: Provision for inventory obsolescence	**(2,403,931)**	(1,977,092)
	90,377,523	138,376,713

At 31 December 2015, inventories pledged as security for certain of the Group's banking facilities amounted to RMB23 million (2014: RMB29 million) (Note 27).

20. TRADE AND BILLS RECEIVABLES

	2015 RMB	2014 RMB
Trade receivables (Note (a))	**82,781,758**	109,538,931
Less: Allowance for doubtful debts (Note (b))	**(4,386,544)**	(7,075,103)
	78,395,214	102,463,828
Bills receivables	**–**	855,808
	78,395,214	103,319,636

20. TRADE AND BILLS RECEIVABLES *(continued)*

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:

	2015 RMB	2014 RMB
Within 3 months	**37,060,619**	62,381,362
More than 3 to 6 months	**27,145,048**	22,478,476
More than 6 to 12 months	**11,519,209**	13,111,843
Over 1 year	**7,056,882**	11,567,250
	82,781,758	109,538,931

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

	2015 RMB	2014 RMB
At 1 January	**7,075,103**	6,755,417
Allowance for impairment loss recognised, net (Note 9)	**146,785**	1,067,363
Bad debt written off	**–**	(747,677)
Eliminated on deemed disposal of a subsidiary	**(2,835,344)**	–
At 31 December	**4,386,544**	7,075,103

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB4.4 million (2014: RMB7.1 million) with a carrying amount before provision of RMB4.4 million (2014: RMB11.4 million). The Group recognised impairment loss on individual assessment related to customers that were in financial difficulties or had prolonged delay in settlements and management of the Group assessed that the amount is expected to be irrecoverable. The Group does not hold any collateral over these balances.

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

20. TRADE AND BILLS RECEIVABLES *(continued)*

Notes: *(continued)*

(d) Trade receivables that were past due but not impaired are as follows:

	2015 RMB	2014 RMB
Within 3 months	20,016,567	17,170,958
More than 3 to 6 months	5,759,604	6,555,921
More than 6 to 12 months	4,971,934	8,862,761
	30,748,105	32,589,640

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.

21. PREPAYMENTS AND OTHER RECEIVABLES

	2015 RMB	2014 RMB
Prepayments		
Advanced deposits to suppliers	**64,391,495**	20,615,671
Other prepayments	**543,928**	635,893
	64,935,423	21,251,564
Other receivables (i)	**16,869,894**	15,457,906
Less: allowance for doubtful debts (ii)	**(2,243,259)**	(2,096,189)
	14,626,635	13,361,717
	79,562,058	34,613,281

Notes:

(i) In October 2013, the Group started legal proceeding against a lessor and its associates for failure to assist the Group in applying for relevant certificate for a deposit of acquiring prepaid land lease with carrying value of approximately RMB7.9 million in a reasonable time frame. During the year ended 31 December 2015, the proceeding has still been ongoing and the Company obtained legal advice in respect of the merits of the case and the directors of the Company are of the opinion that the carrying value of the balance is recoverable.

21. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(ii) Allowance for doubtful debts

	2015 RMB	2014 RMB
At 1 January	**2,096,189**	1,981,223
Allowance for impairment loss	**147,070**	164,766
Recovery on amounts written off	**–**	(49,800)
At 31 December	**2,243,259**	2,096,189

Other receivables are assessed to be impaired individually at each reporting date and impairment losses of the Group amounting to approximately RMB2.2 million (2014: RMB2.1 million) has been made as at 31 December 2015. 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.

22. AMOUNT DUE FROM AN ASSOCIATE

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

23. BANK BALANCES AND CASH

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

As at 31 December 2015, cash and bank balances denominated in RMB amounted to approximately RMB102,172,585 (2014: approximately RMB48,267,106). 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.

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Year ended 31 December 2015

24. TRADE PAYABLES

	2015 RMB	2014 RMB
Trade payables	**24,747,935**	39,926,921

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

	2015 RMB	2014 RMB
Within 3 months	**14,346,438**	24,811,933
More than 3 to 6 months	**4,261,363**	5,510,782
More than 6 to 12 months	**2,639,421**	6,275,266
Over 1 year	**3,500,713**	3,328,940
	24,747,935	39,926,921

25. OTHER PAYABLES AND ACCRUALS

	2015 RMB	2014 RMB
Other payables	**5,123,017**	12,953,409
Accruals	**2,721,714**	4,472,569
Receipt in advance	**6,944,696**	11,941,088
Payable to Social Security Fund Note (i)	**2,682,662**	2,565,209
	17,472,089	31,932,275

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).

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Year ended 31 December 2015

26. FINANCIAL LIABILITIES

	2015 RMB	2014 RMB
Gross put option Note (i)	**24,145,000**	22,439,591

Note:

(i) Balance represents written put option liability to non-controlling interests in respect of disposal transaction of 49.84% equity interests of Tianjin Alpha if certain provisions may not be fulfilled by the Company by end of 31 December 2015. The fair value of the gross put option liability at date of disposal on 30 September 2014 was approximately RMB22,032,000 with corresponding amount recognised in equity and is carried at amortised cost until the expiry of the provisions on 31 December 2015. For details of disposal transaction, please refer to note 30 to the financial statements. The gross put option has not been expired, therefore the Company continues to recognise the financial liabilities as at 31 December 2015.

27. BANK BORROWINGS

	2015 RMB	2014 RMB
Secured	**35,000,000**	87,300,000
Unsecured	**10,000,000**	–
	45,000,000	87,300,000

The bank borrowings based on the agreed terms of repayment granted by banks are repayable within one year.

Notes:

(i) In 2015, secured against property, plant and equipment and inventories with a total carrying amount of about RMB47 million (2014: RMB49 million). Certain bank loans were also guaranteed by a director of the subsidiary and independent third party.

(ii) The bank borrowings of the Group bear interest at fixed and floating effective interest rate ranging from 5.3% to 7.8% (2014: 6.2% to 9.0%).

28. SHARE CAPITAL

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

	2015 Number (million)	2015 RMB	2014 Number (million)	2014 RMB
Ordinary shares of RMB0.1 each:				
Domestic shares				
At 1 January and 31 December	**715**	**71,500,000**	715	71,500,000
Converted to H Shares (note i)	**(17)**	**(1,750,000)**	–	–
	698	**69,750,000**	715	71,500,000
H shares				
At 1 January	**705**	**70,500,000**	705	70,500,000
Issued new shares (note i)	**192**	**19,250,000**	–	–
	897	**89,750,000**	705	70,500,000
Total at 31 December	**1,595**	**159,500,000**	1,420	142,000,000

Note:

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

(ii) Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal and 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 2015, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2014: Nil).

29. DEEMED DISPOSAL OF A SUBSIDIARY

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

The net assets of Tianjin Alpha disposed of as follows:–

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

30. NON-CONTROLLING INTERESTS

(a) Disposal of interest in a subsidiary without loss of control

On 31 August 2014, the Company entered into an agreement ("the Agreement") with two purchasers (collectively referred to as "the "Purchasers") to dispose of 49.84% interest in Tianjin Alpha at a consideration of RMB22 million (the "Consideration"). Details please refer to the Company's announcement dated 1 September 2014. The carrying amount of the non-controlling interest in Tianjin Alpha on the date of disposal was RMB21,163,508. The group recognised an increase in non-controlling interests of RMB21,163,508 and an increase in equity attributable to owners of the Company of RMB836,492. The disposal was completed on 30 September 2014. The effect of changes in the ownership interest of Tianjin Alpha on the equity attributable to owners of the Company during the year is summarised as follows:

	2014 RMB
Carrying amount of non-controlling interests disposed of	21,163,508
Consideration received from non-controlling interests	22,000,000
Gain on disposal within equity	836,492

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

During the year ended 31 December 2014, the total non-controlling interests are attributable to 49.84% and 49% non-controlling interests ("NCI") of Tianjin Alpha and Shandong Hidersun respectively and constitutes material NCI.

During the year ended 31 December 2015, the total NCI is only attributable to 49% of Shandong Hidersun as a result of deemed disposal of Tianjin Alpha as disclosed in note 29 to the consolidated financial statements.

30. NON-CONTROLLING INTERESTS *(continued)*

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

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

	Tianjin Alpha	Shandong Hidersun	
	2014	**2015**	2014
	RMB	**RMB**	RMB
For the year ended 31 December			
Revenue	81,774,292	**194,465,257**	194,691,162
(Loss)/profit for the year	(2,614,497)	**575,823**	1,781,698
Total comprehensive income for the year	(2,614,497)	**575,823**	1,781,698
Profit and total comprehensive income allocated to NCI	298,593	**282,153**	873,032
For the year ended 31 December			
Cash flow generated from operating activities	35,165,568	**26,511,982**	2,734,286
Cash flow used in investing activities	(22,816,663)	**(6,002,448)**	(4,700,148)
Cash flow (used in)/generated from financing activities	(10,000,000)	**2,700,000**	5,000,000
Net cash inflow	2,348,905	**23,209,534**	3,034,138
As at 31 December			
Current assets	77,660,975	**134,600,717**	79,520,568
Non-current assets	24,962,838	**74,704,170**	74,768,779
Current liabilities	(62,695,744)	**(159,343,491)**	(104,903,774)
Net assets	39,928,069	**49,961,396**	49,385,573
Accumulated non-controlling interests	21,462,101	**24,496,683**	24,214,530

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Year ended 31 December 2015

31. 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 2014	75,816,410	(2,312,483)	(76,822,191)	–	(3,318,264)
Profit and total comprehensive income for the year	–	–	10,673,337	–	10,673,337
Written put option over non-controlling interests	–	–	–	(22,032,403)	(22,032,403)
At 31 December 2014	75,816,410	(2,312,483)	(66,148,854)	(22,032,403)	(14,677,330)
Profit and total comprehensive income for the year	–	–	(2,946,172)	–	(2,946,172)
Issue of new shares	78,851,461	–	–	–	78,851,461
At 31 December 2015	154,667,871	(2,312,483)	(69,095,026)	(22,032,403)	61,227,959

(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 2015 as such reserve reached 50% of the registered capital of the respective companies.

The current year's profit of the Company was used for making up the accumulated losses from prior years and no surplus reserve was set up for the Company for the year ended 31 December 2015.

(iii) Capital reserve

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

(iv) Accumulated losses

The accumulated losses represent the cumulative net gains and losses recognised in profit or loss.

(v) Other reserve

The reserve represents written put option liability to non-controlling interests in respect of disposal transaction of 49.84% equity interest in Tianjin Alpha. (Note 26)

32. COMMITMENTS

(a) Capital commitments

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

	2015 RMB	2014 RMB
Authorised and contracted for		
– Acquisition of property, plant and machinery	**247,300**	6,932,000

(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:

	2015 RMB	2014 RMB
Within one year	**633,231**	3,628,104
After one year but within five years	**–**	13,370,041
After five years	**–**	14,857,796
	633,231	31,855,941

33. 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 parties transactions for the year ended 31 December 2015.

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

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Year ended 31 December 2015

34. 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 2015 and 2014 was as follows:

	2015 RMB	2014 RMB
Total debts – Bank borrowings	**45,000,000**	87,300,000
Less: Bank balances and cash	**(105,637,380)**	(48,383,977)
Net debts	**(60,637,380)**	38,916,023
Total equity	**344,433,641**	243,697,616
Net debt-to-adjusted equity ratio	**(17.6%)**	16.0%

35. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 5% (2014: 2%) and 18% (2014: 10%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 20 and 21 respectively.

(b) Liquidity risk

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

35. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

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

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
2015			
Bank borrowings	**45,000,000**	**46,237,683**	**46,237,683**
Trade payables	**24,747,935**	**24,747,935**	**24,747,935**
Other payables	**10,527,393**	**10,527,393**	**10,527,393**
Financial liabilities	**24,145,000**	**25,861,000**	**25,861,000**
	104,420,328	**107,374,011**	**107,374,011**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**20,000,000**	**20,000,000**
2014			
Bank borrowings	87,300,000	90,101,307	90,101,307
Trade and bills payables	39,926,921	39,926,921	39,926,921
Other payables	19,991,187	19,991,187	19,991,187
Financial liabilities	22,439,591	24,145,000	24,145,000
	169,657,699	174,164,415	174,164,415
Financial guarantees issued			
Maximum amount guaranteed	–	45,000,000	45,000,000

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings were issued at variable rates and at fixed rates for years ended 31 December 2015 and 2014 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.

35. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

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

	2015		2014	
	Effective interest rate % per annum	RMB	Effective interest rate % per annum	RMB
Borrowings				
Fixed rate borrowings	**5.5%**	**10,000,000**	7.8%	45,000,000
Variable rate borrowing	**6.3%**	**35,000,000**	7.4%	42,300,000
		45,000,000		87,300,000

At 31 December 2015, 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 RMB350,000 (2014: RMB389,000), 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 2014.

(d) Currency risk

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

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36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2015 **RMB**	2014 RMB
Financial assets		
Loans and receivables (including bank balances and cash and restricted bank deposits)	**199,700,996**	165,065,331
Financial liabilities		
Financial liabilities measured at amortised cost	**104,420,328**	169,657,699

37. NOTES SUPPORTING CASH FLOW STATEMENT

Significant non-cash transactions are as follows:

Investing activities

	2015 **RMB**	2014 RMB
Purchase of property, plant and equipment	**–**	6,581,120

38. PARTICULARS OF SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2015, which are all incorporated and operating in the PRC, are as follows:

	Form of business structure	Place of incorporation	Attributable equity interest held by the Group	Place of operation and principal activities
Shandong Hidersun Fertiliser Industry Co., Ltd. ("SD Hidersun") 山東海得斯肥業有限公司	Corporation	PRC	51%	Manufacturing and sale of biological compound fertilisers in the PRC
Guangdong Fulilong Compound Fertiliser Co., Ltd. 廣東福利龍複合肥有限公司	Corporation	PRC	100%	Manufacturing and sale of biological compound fertilisers in the PRC

Note:

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

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39. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2015 RMB	2014 RMB
Non-current assets			
Property, plant and equipment		**445,943**	470,532
Investments in subsidiaries		**102,046,225**	108,634,827
Interest in an associate		**6,588,602**	–
Total non-current assets		**109,080,770**	109,105,359
Current assets			
Prepayments and other receivables		**1,379,259**	1,471,174
Amount due from subsidiaries		**123,670,672**	59,294,672
Amount due from an associate		**5,000,000**	–
Bank balances and cash		**20,490,553**	338,798
Total current assets		**150,540,484**	61,104,644
Total assets		**259,621,254**	170,210,003
Current liabilities			
Trade and bills payables		**26,918**	26,918
Amount due to a subsidiary		**–**	2,392,805
Other payables and accruals		**4,721,377**	4,554,242
Financial liabilities		**24,145,000**	22,439,591
Tax payable		**–**	3,473,777
Bank borrowings		**10,000,000**	10,000,000
Total current liabilities		**38,893,295**	42,887,333
Net current assets		**111,647,189**	18,217,311
NET ASSETS		**220,727,959**	127,322,670
Capital and reserves			
Share capital	28	**159,500,000**	142,000,000
Reserves	31	**61,227,959**	(14,677,330)
TOTAL EQUITY		**220,727,959**	127,322,670

On behalf of the Board

Sun Li
Director

Hao Zhihui
Director

40. CONTINGENT LIABILITIES

As at 31 December 2015, banking facilities of approximately RMB50 million (2014: RMB88 million) were granted to the Group and the Group utilised approximately RMB45 million (2014: RMB87 million) during the year ended 31 December 2015. The Group provided guarantees of RMB20 million (2014: RMB45 million) for the utilised banking facilities of the associate.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2016.